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7 Leadership Lessons of Huawei's Ren Zhengfei

Growth Principles from Billion-Dollar Startups

Careering Off Track: The New World of Work

The Rationality of Risk: Creating Real Value After a Legacy of Easy Money

STRATEGISING TO WIN ON THE GLOBAL PLAYING FIELD

Making real strategic choices in people operations

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From the Editors

Over the past few weeks Europe has been plagued by the spectre of Syrian refugees fleeing to its shores. This comes at a time when Europe spurred on by right wing politics, has been crying out against immigration, and anti immigration and anti immigrant policies and laws have been rolled out by parties of every hue. No wonder Europe finds itself in a quandary – the moral conscience of the world, with a proud tradition of protecting refugees, squabbling while Syrian refugees perish at its shores.

Without harking back to the failed Middle Eastern policies and manoeuvrings that have led to the Syrian refugee crisis, it may be worth while to first consider the numbers and their destination in order to put the European dilemma into perspective.

According to UNHCR (UN Refugee Agency), there are about 60 million displaced peoples in the world and an overwhelming number are in the developing countries that do not have the financial or infrastructural resources to sustain the number. Turkey alone has 2 million Iraqi and Syrian refugees, Jordan is home to about 630,000 Syrian refugees, 1 in 13 people is a Syrian refugee, Lebanon is home to 1.2 million refugees, 1 in 5 of its people is a Syrian refugee and half of Lebanon's population are refugees. Iraq and Egypt account for about 400,000 Syrian refugees. The Syrian refugee problem has been growing since the beginning of 2011. In 2012, there were 100,000 refugees, and in 2013, 800,000. That number doubled in a short period of time to 1.6 million. The UN predicts there could be over 4 million Syrian refugees by the end of 2015. 5 countries host 95% of the Syrian refugees, which is about 4 million, it is apparent that only a small proportion will find their way to Europe. 28 countries in the EU surely have better resources and infrastructure than the 5 neighbouring countries in the Middle East.

This may be an opportune time for Europe to pause and reimagine its policies towards migration, because the question of displaced peoples is not going to go away very quickly. Europe may do well to respond to the ongoing and protracted crisis by seeing the migration of peoples as a development opportunity and not as a humanitarian crisis. The distinction between refugees and migrants serve only one purpose: to invoke a moral humanitarian response for one and a hard nosed economic and political response to the other.

The humanitarian response envisages a short-term care where the refugee is totally dependent on the receiving state for livelihood and security and a swift return to their homeland. But this is not what happens in reality, people are often displaced for longer periods of time. Kenya and Ethiopia have been hosting Somalian refugees since 1991, now reaching about half a million refugees. The Syrian refugee crisis will definitely extend for more than 5 years. Iraqi refugees have been displaced for much longer and question of return is far in the future if it ever happens. The reality of the matter is that there are inadequate resources to deal with the unprecedented numbers and protracted conflicts. It is therefore not surprising that the Europeans are concerned about the numbers flowing to their shores and the resources needed to accommodate the numbers for the unforeseeable future.

There is therefore no reason why the receiving countries should not adopt a developmental approach to the crisis. Refugees just like other migrants bring their skills, their talents and their aspirations with them. They flee persecution, war, and disease or simply lack of opportunity. They seek safe haven to continue their lives and not to be laid to waste. From Northern Germany to Greece, Europe is experiencing depopulation of its rural areas, which is compounded by low birth rates. It is becoming increasingly obvious that without an injection of new population many of these rural areas would be abandoned and simply die. There is no reason why incoming migrants cannot be supported in settling in these areas to repopulate and regenerate them.

Of course the European public which has been steadily fed and is now bloated on a cocktail of anti immigration rhetoric must now be re-orientated to the economical, cultural, and ethical benefits of settling displaced peoples on these shores.


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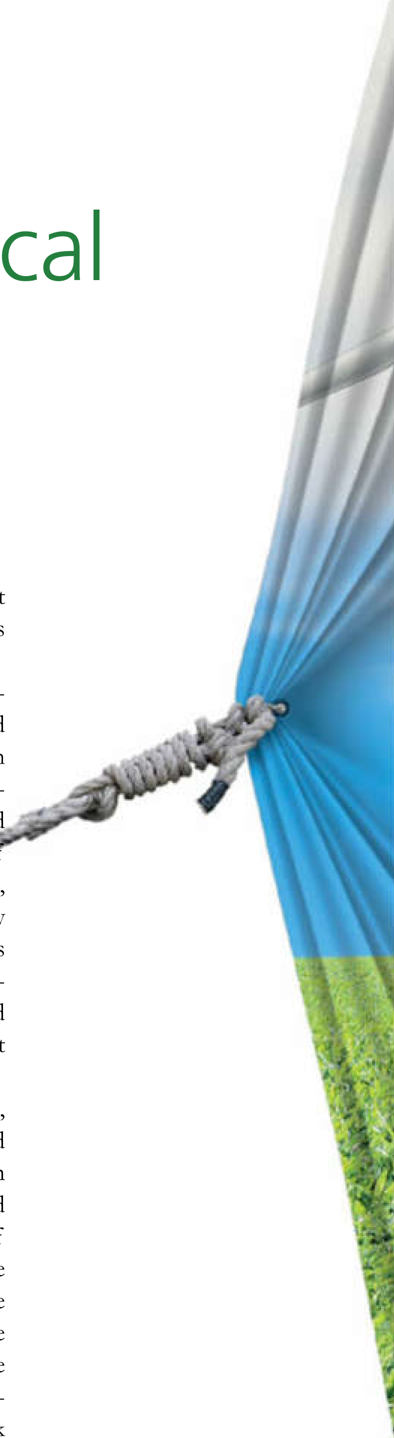
The Age of Sustainable Development: Sustainable Development as an Analytical and Normative Concept

BY JEFFREY D. SACHS



Achieving sustainable development on our crowded, unequal, and degraded planet is the most important challenge facing our generation. In this excerpt from the book *"The Age of Sustainable Development"*, Jeffrey D. Sachs introduces the concept of sustainable development and its normative outlook on the world.

Sustainable development is a central concept for our age. It is both a way of understanding the world and a method for solving global problems. Sustainable Development Goals (SDGs) will guide the world's economic diplomacy in the coming generation. This book offers you an introduction to this fascinating and vital field of thought and action.

Our starting point is our crowded planet. There are now 7.2 billion people on the planet, roughly 9 times the 800 million people estimated to have lived in 1750, at the start of the Industrial Revolution. The world population continues to rise rapidly, by around 75 million people per year. Soon enough there will be 8 billion by the 2020s, and perhaps 9 billion by the early 2040s (Sustainable Development Solutions Network [SDSN] 2013a, 2, 5).

These billions of people are looking for their foothold in the world economy. The poor are struggling to find the food, safe water, health care, and shelter they need for mere survival. Those just above the poverty line are looking for improved prosperity and a brighter future for their children.

Those in the high-income world are hoping that technological advances will offer them and their families even higher levels of wellbeing. It seems that the superrich also jostle for their place in the world's rankings of richest people.

In short, 7.2 billion people are looking for economic improvement. They are doing so in a world economy that is increasingly interconnected through trade, finance, technologies, production flows, migration, and social networks. The scale of the world economy, now estimated to produce $90 trillion of output per year (a sum called the gross world product, or GWP), is unprecedented (SDSN 2013a, 2). By crude statistics, the GWP measures at least 200 times larger than back in 1750. In truth, such a comparison is difficult to make, since much of the world economy today consists of goods and services that did not even exist 250 years ago.

What we know is that the world economy is vast, growing rapidly (by 3-4 percent per year in scale), and highly unequal in the distribution of income within countries and between countries. Ours is a world of fabulous wealth and extreme poverty: billions of people enjoy longevity and good health unimaginable in previous generations, yet at least 1 billion people live in such abject poverty that they struggle for mere survival every day. The poorest of the poor face the daily life-and-death challenges of insufficient nutrition, lack of health care, unsafe shelter, and the lack of safe drinking water and sanitation.

The world economy is not only remarkably unequal but also remarkably threatening to Earth itself. Like all living species, humanity depends on nature for food and water, materials for survival, and

THE GIGANTIC WORLD ECONOMY IS CREATING A GIGANTIC ENVIRONMENTAL CRISIS, ONE THAT THREATENS THE LIVES AND WELLBEING OF BILLIONS OF PEOPLE AND THE SURVIVAL OF MILLIONS OF OTHER SPECIES ON THE PLANET, IF NOT OUR OWN.

safety from dire environmental threats, such as epidemics and natural catastrophes. Yet for a species that depends on the beneficence of nature, or on what the scientists call "environmental services," we are doing a poor job of protecting the physical basis of our very survival! The gigantic world economy is creating a gigantic environmental crisis, one that threatens the lives and wellbeing of billions of people and the survival of millions of other species on the planet, if not our own.

The environmental threats, we shall learn, are arising on several fronts. Humanity is changing Earth's climate, the availability of fresh water, the oceans' chemistry, and the habitats of other species. These impacts are now so large that Earth itself is undergoing unmistakable changes in the functioning of key processes – such as the cycles of water, nitrogen, and carbon – upon which life depends. We don't know the precise scaling, timing, and implications of these changes, but we do know enough to understand that they are extremely dangerous and unprecedented in the span of humanity's 10,000 years of civilization.

Thus we arrive at sustainable development. As an intellectual pursuit, sustainable development tries to make sense of the interactions of three complex systems: the world economy, the global society, and the Earth's physical environment. How does an economy of 7.2 billion people and $90 trillion gross world output change over time? What causes economic growth? Why does poverty persist? What happens when billions of people are suddenly interconnected through markets, technology, finance, and social networks? How does a global society of such inequality of income, wealth, and power function? Can the poor escape their fate? Can human trust and sympathy surmount the divisions of class and power? And what happens when the world economy is on a collision course with the physical environment? Is there a way to change course, a way to combine economic development with environmental sustainability?

Sustainable development is also a normative outlook on the world, meaning that it recommends a set of *goals* to which the world should aspire. The world's nations will adopt SDGs precisely to help guide the future course of economic and social development on the planet. In this normative (or ethical) sense, sustainable development calls for a world in which economic progress is widespread; extreme poverty is eliminated; social trust is encouraged through policies that strengthen the community; and the environment is protected from human-induced degradation. Notice that sustainable development recommends a holistic framework, in which society aims for economic, social, and environmental goals. Sometimes the following shorthand is used: SDGs call for *socially inclusive and environmentally sustainable economic growth.*

To achieve the economic, social, and environmental objectives of the SDGs, a fourth objective must also be achieved: good governance. Governments must carry out many core functions to enable societies to prosper. Among these core functions of government are the provision of social services such as health care and education; the provision of infrastructure such as roads, ports, and power; the protection of individuals from crime and violence; the promotion of basic science and new technologies; and the implementation of regulations to protect the environment. Of course, this list is just a brief subset of what people around the world hope for from their governments. In fact, all too often they get the reverse: corruption, war, and an absence of public services.

In our world today, good governance cannot refer only to governments. The world's multinational companies are often the most powerful actors. Our wellbeing depends on these powerful companies obeying the law, respecting the natural environment, and helping the communities in which they operate, especially to help eradicate extreme poverty. Yet as with governments, reality is often the reverse. Multinational companies are often the agents of public corruption, bribing officials to bend regulations or tax policies in their favor and engaging in tax evasion, money laundering, and reckless environmental damage.

Thus the normative side of sustainable development envisions four basic objectives of a good society: economic prosperity; social inclusion and cohesion; environmental sustainability; and good governance by major social actors, including governments and business. It's a lot to ask for, and there is no shortage of challenges to achieving sustainable development in

practice. Yet the stakes are high. Achieving sustainable development on our crowded, unequal, and degraded planet is the most important challenge facing our generation. The SDGs must be the compass, the lodestar, for the future development of the planet during the period 2015 to mid-century.

Before proceeding further, let me give a very brief history of the concept of sustainable development. The term "sustainable" as applied to ecosystems goes back a long way. Fisheries managers, for example, have long used the concept of the "maximum sustainable yield" to denote the maximum fish catch per year consistent with a stable fish population. In 1972, at the UN Conference on the Human Environment in Stockholm, the challenge of maintaining sustainability in the context of economic growth and development was first brought to the global forefront. That same year, the blockbuster book *Limits to Growth*, published by the Club of Rome, argued forcefully that continued economic growth on the prevailing economic patterns would collide with the Earth's finite resources, leading to a future overshoot and collapse.

While 1972 put the challenge of sustainable development onto the global stage, the phrase itself was introduced eight years later, in an influential publication entitled *World Conservation Strategy: Living Resource Conservation for Sustainable Development* (1980). This pathbreaking publication noted in its foreword that:

> Human beings, in their quest for economic development and enjoyment of the riches of nature, must come to terms with the reality of resource limitation and the carrying capacity of ecosystems, and must take account of the needs of future generations.

The purpose of the document was to "help advance the achievement of sustainable development through the conservation of living resources" (iv).

The phrase was then adopted and popularized in the report of the United Nations Commission on Environment and Development, known widely by the name of its chairwoman, Gro Harlem Brundtland. The Brundtland Commission gave a classic definition of the concept of sustainable development, one that was used for the next twenty-five years:

> Sustainable Development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. (Brundtland 1987, 41).

This "intergenerational" concept of sustainable development was widely adopted, including at the Rio Earth Summit in 1992. One of the key principles of the Rio Declaration was that "development today must not threaten the needs of present and future generations."

Over time, however, the definition of sustainable development evolved into a more practical approach, focusing less on intergenerational needs and more on the holistic approach linking economic development, social inclusion, and environmental sustainability. In 2002, at the UN World Summit on Sustainable Development (WSSD) in Johannesburg, the WSSD Plan of Implementation spoke of "the integration of the three components of sustainable development – economic development, social development and environmental protection – as interdependent and mutually reinforcing pillars" (World Summit on Sustainable Development 2002, 2). The concept of intergenerational justice remains but is now secondary to the emphasis on holistic development that embraces economic, social, and environmental objectives.

This three-part vision of sustainable development was again emphasized on the twentieth anniversary of the Rio Summit. In the final outcome document for the Rio+20 Summit ("The Future We Want"), the aim of sustainable development was put this way:

> We also reaffirm the need to achieve sustainable development by: promoting sustained, inclusive and equitable economic growth, creating greater opportunities for all, reducing inequalities, raising basic standards of living; fostering equitable social development and inclusion; and promoting integrated and sustainable management of natural resources and ecosystems that supports inter alia economic, social and human development while facilitating ecosystem conservation, regeneration and restoration and resilience in the face of new and emerging challenges. (UN General Assembly 2012, para. 4)

The SDGs, called for in the same outcome document, are to be based on the three-part framework. Here is how the SDGs were announced in "The Future We Want":

> [The SDGs] should address and incorporate in a balanced way all three dimensions of sustainable development and their interlinkages... We also underscore that SDGs should be action-oriented, concise and easy to communicate, limited in number, aspirational, global in nature and universally applicable to all countries while taking into account different national realities, capacities and levels of development and respecting national policies and priorities... Governments should drive implementation [of the SDGs] with the active involvement of all relevant stakeholders, as appropriate. (UN General Assembly 2012, paras. 246-7)

I will discuss the SDGs in greater detail in the final chapter. Until then, I will use the concept of sustainable development in the current sense of a three-way normative framework, embracing economic development, social inclusion, and environmental sustainability. In addition, I will refer to sustainable development as an *analytical field of study*, one that aims to explain and predict the complex and nonlinear interactions of human and natural systems. I turn next to this analytical sense of the term.

Embracing Complexity

In addition to being a normative (ethical) concept, sustainable development is also a science of complex systems. A system is a group of interacting components that together with the rules for their interaction constitute an interconnected whole. The brain is

a system of interacting neurons; the human body is a system of some 10 trillion individual cells, with those cells interacting in systematic ways in various organ systems (circulatory system, nervous system, digestive system, etc.); the cell itself is a system of interacting organelles; and the economy is a system of millions of individuals and businesses, bound together in markets, contracts, laws, public services, and regulations.

We talk about these systems as complex because their interactions give rise to behaviors and patterns that are not easily discernible from the underlying components themselves. The conscious brain cannot be reduced to a list of its neurons and neurotransmitters; functions such as consciousness depend on highly complex interactions of the component neurons. A living cell is more than the sum of the nucleus, ribosomes, and other components; the systems of metabolism, gene expression, and the like depend on highly complex interactions of the components. A growing economy is more than the sum of its individual businesses and workers. Complexity scientists speak of the *emergent properties* of a complex system, meaning those characteristics that emerge from the interactions of the components to produce something that is "more than the sum of its parts."

Complex systems have many unexpected characteristics. They often respond in a nonlinear way to shocks or changes, meaning that even a modest change in the components of the system can cause a large, perhaps catastrophic change in the performance of the system as a whole. A small change in the cell's chemistry can lead to its death; a small change in the physical environment may cause large and cascading changes to the relative abundance of the species in that environment. The failure of a single business can lead to a financial panic and a global downturn, such as occurred when the Lehman Brothers investment bank failed in September 2008. A single bank failure, or a single infection, or a slight change in Earth's temperature, can lead to a chain reaction, positive-feedback process, which has explosive consequences.

Sustainable development involves not just one but four complex interacting systems. It deals with a *global economy* that now spans every part of the world; it focuses on *social interactions* of trust, ethics, inequality, and social support networks in communities (including new global online communities made possible by revolutions in the information and communications technologies, or ICTs); it analyzes the changes

Sustainable development involves not just one but four complex interacting systems.

Global Economy

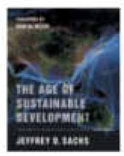
Social Interactions

Earth Systems

Governance

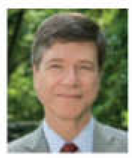
to complex *Earth systems* such as climate and ecosystems; and it studies the problems of *governance*, including the performance of governments and businesses. In each of these complex systems – economic, social, environmental, and governance – the special properties of complex systems, such as emergent behavior and strong, nonlinear dynamics (including booms and busts), are all too apparent.

Complex systems require a certain complexity of thinking as well. It is a mistake to believe that the world's sustainable development problems can be boiled down to one idea or one solution. A complex phenomenon such as poverty in the midst of plenty has many causes that defy a single diagnosis or prescription, just as in the cases of environmental ills or communities torn asunder by mistrust and violence. Medical doctors are trained to understand and respond to the complex system known as the human body. Medical doctors know that a fever or a pain can have countless causes. Part of the job of a skilled medical doctor is to make a differential diagnosis of the specific cause of a fever in a particular patient. A skilled sustainable development practitioner needs to be a complex-systems expert in the same way, acknowledging the complexity of the issues and looking to make a specific diagnosis of each specific case.



Excerpted from *The Age of Sustainable Development* by Jeffrey D. Sachs.

About the Author



Jeffrey D. Sachs is a world-renowned economics professor, leader in sustainable development, senior UN advisor, best-selling author, and syndicated columnist. He serves as the director of the Earth Institute, Quetelet Professor of Sustainable Development, and professor of health policy and management at Columbia University. He is special advisor to Secretary-General Ban Ki-moon of the United Nations on the Millennium Development Goals, and he held the same position under Secretary-General Kofi Annan. He is director of the UN Sustainable Development Solutions Network as well as cofounder and director of the Millennium Villages Project. (Photograph by Wade Martzall)


Challenges
Solutions
Progress
Mobility has to keep moving – to keep pace with changing times. In light of issues ranging from climate change and a decline in natural resources to traffic jams in urban areas, we all need to go back to the drawing board and find new mobility options that are not only efficient, but also sustainable. The AlphaCity Corporate CarSharing concept and the AlphaElectric eMobility solution were just the first steps in Alphabet's long-term strategy. Experience the future of flexible fleet management now.
Business Mobility. Tailor-made for you at www.alphabet.com
Alphabet

STANDARDISATION AND COOPERATION ARE THE FUTURE

INTERVIEW WITH JONAS BERGGREN, CEO, SSG AB

According to Jeffrey Sachs, author of "*The Age of Sustainable Development*," achieving sustainable development on our crowded, unequal, and degraded planet is the most important challenge facing our generation. This challenge for sustainable development is not new for Jonas Berggren, CEO of Standard Solutions Group. For over 50 years, SSG has been effectively working on their key to triumph in sustainability, cross-industry co-operation and SSG's way in giving best results. In this interview, Jonas tells us their unstoppable take on sustainability, views on transparency as well as their successful collaborative business model and corporate culture.


SSG
STANDARD SOLUTIONS GROUP

Q As CEO of Standard Solutions Group, can you tell us what are the keys to SSG's success for over 50 years? What has changed in the 50 years in regards to SSG's mission and strategic focus and why? What has remained unchanged?

Nowhere internationally today is there cross-industry cooperation of the type that SSG has built up. The collaboration model, on which the company is based, involves building networks and interfacing in various forums to openly discuss common initiatives and solutions, and has proven to be highly sought after over the years and works extremely well across sectors and national borders.

There is also a partnership, which has been generating superb results for decades for both SSG and our customers that are essential for an energy and resource-intensive process industry in the global periphery. Our success is primarily due to more than 500 technical experts being actively involved in the company's more than 60 committees and working groups. We have been able to focus on important changes, create joint solutions and thereby have been able to construct more efficient and profitable processes together.

What SSG is doing is both difficult and easy – difficult, because the mission involves keeping tabs on an incredible amount of information and easy, because SSG's task has always been to make things as easy as possible.

SSG absorbs all the information and then further refines it so that others in turn can use it. This ensures consistency, the reuse of the solutions that work best, and is a cost-saving measure that improves the resource utilisation and enhances both quality and safety.

After 50 long years, this unique and very strong will to cooperate is still developing. It has even been strengthened over time and now continues to be intensified and is crossing over into new business areas and new industries.

Standardisation and cooperation are the future. We must all become more efficient in today's tough international competition. Consequently, SSG standards and recommendations are exactly what are called for. In essence, both the mission and the strategic focus are the same.

What has changed is the way in which we can work together with new technology and what issues are pivotal for collaborating together. We are currently focusing on improved productivity and sustainability along with how we can harness new technology to achieve this. When it comes to technology, we are facing an exciting evolutionary step including the Internet of things and big data that are providing unprecedented opportunities.

Standardisation and cooperation are the future. We must all become more efficient in today's tough international competition.

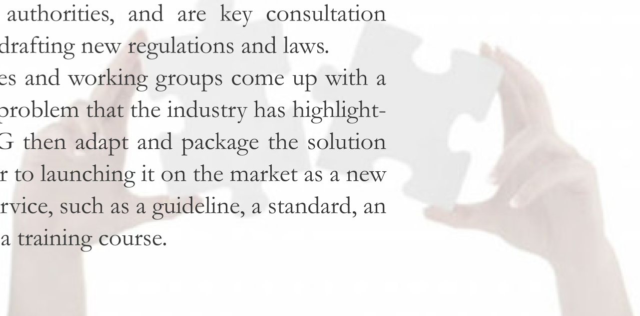
Q On your website, it says: The SSG Way - cooperation gives results. Can you share with us more about the benefits of cooperation in terms of your business model, business process, development and profitability?

The cooperation and sharing of experiences between industries in certain non-competitive areas contributes in achieving your goals more effectively in a cheaper, safer and more resource-efficient manner, as well as avoiding repeated unnecessary mistakes.

We have been developing a globally unique collaboration model for this for over half a century – "The SSG Way." In our committees with experts from both the industry and its suppliers, we have developed a number of standards and standardised services over the years, which will help the industry to become more efficient, safer and more sustainable.

Our committee activities are very much a form of value networks. Some of these participants are competitors with the same type of products in the same markets. However, we have identified a number of areas that are free from competition where they can meet. Of course, they do not sit down and discuss their trade secrets. However, there are other issues where participants can benefit greatly from each other's expertise and experiences. Several committees also serve as mouthpieces for the industry when dealing with authorities, and are key consultation bodies when drafting new regulations and laws.

Committees and working groups come up with a solution to a problem that the industry has highlighted. We at SSG then adapt and package the solution proposal prior to launching it on the market as a new or updated service, such as a guideline, a standard, an IT service or a training course.



This is where it gets really interesting. We live on our own income, just as any company does, but the resource base comes from the companies that participate in the committees. They provide us with development potential in terms of expertise that we develop and refine into a commercial format. At the same time, companies benefit from a value network in which they can accelerate their own development by utilising the knowledge and experience of others.

Therefore, we have a form of network symbiosis, in which all parties benefit from each other's presence – something that is obviously perceived as highly valuable for all participants in the committees. One challenge that we are working on relentlessly is how to demonstrate the benefits that these networks deliver and how we can convey this to the relevant stakeholders.

In today's new business landscape, people are talking more and more about the power of the collective and the need for increased cooperation and collaboration. And in this new reality, SSG's working model serves as something of a role model.

In a value network, it is about the links between companies, particularly in the form of enhanced cooperation, which will be the key factor. The ability to orchestrate a large amount of external partnerships is a crucial knowledge advantage in this respect, and combining specialised external expertise allows individual companies to create a resource that is very difficult for competitors to mimic.

The competitiveness of the companies depends largely on how well they manage to develop partnerships, in which they can utilise their expertise as specialists or integrators. The company's capacity for innovation also grows the external relationships the company has with other organisations. In fast-changing industries, it is especially crucial to combine the internal and external knowledge. Which is exactly the way that SSG works through "The SSG Way".

In fast-changing industries, it is especially crucial to combine the internal and external knowledge. Which is exactly the way that SSG works through "The SSG Way".

Q From making industrial process a standard, now SSG is making sustainability a standard. What role does sustainability play in SSG's overall service offerings and strategic plan? Can you elaborate why common standards are a key stop on the necessary road towards increased sustainability?

The company, which gradually and systematically moves towards sustainability, not only brings down its own costs but also raises the engagement and the ability to entice the brightest and most driven people. Adding to this is an increase in goodwill and a stronger brand, but this requires expertise, and the aspect that characterises a good company is that it has the skills necessary to become profitable by doing a good job.

Sustainability will be a matter of course for all companies in the future. The market will demand it. It will simply not be possible to do business without a sustainability perspective.

Our common future prosperity will depend on our ability to enhance efficiency when utilising energy and natural resources. But in order to survive, the industry must continue to cut costs and ensure more efficiency in its production methods. Among SSG owners and customers, there is a huge collective experience in sustainable investment, sustainable operations and sustainable maintenance.

Our role in this is to utilise our knowledge and transfer it to standards. Ultimately, it is all about creating energy efficiency, environmental benefits, and to use as little material and energy as possible in production.

Common standards, in other words, are an important stop on the road that is necessary to achieve greater sustainability.

Q What do you think are the biggest challenges and problems in the international process industry, and what is SSG's role in addressing these issues?

SSG's vision is formulated as "Business Excellence through industrial collaboration," you have to make products and services that are competitive, but you must also be able to deliver them in resource-efficient ways.

Those who are best at both internal and external efficiency will be the future winners – and it is SSG's mission to help the industry with exactly this.

Achieving internal efficiency in purchasing, production and maintenance at a more intense level requires an overall group perspective. Large global companies can certainly handle this process by themselves.

In order to succeed, it is essential that this process is initiated and driven by the company's management. It is all about creating the right values and benefits for business customers in the most efficient way, by leveraging the combined resources and expertise of the organisation, employees, and partners.

Business Excellence means we ensure more

satisfied customers, which in turn creates a wider base of operations. We attract colleagues who think it is enjoyable to work in a well-developed organisation. We generate more tangible results, commercial companies boost competitiveness significantly and the public sector enjoys higher dividends for every taxed krona.

Q According to United Nation's last minute on the 13th of August 2015, that lack of transparency weakens sustainable development goals. What is SSG's stand/view on transparency?
Cooperation between the company, its suppliers and competitors is a prerequisite for success. Because cooperation implies some form of transparency, as well as a clear framework for a neutral forum where information can be exchanged in a safe and secure manner.

Transparency helps the outside world to better understand our decisions and our actions. Therefore, SSG's work and services are made even more credible and effective.

We are living in a world where previous relatively stable borders in a range of regions are rapidly being transformed. We are headed towards a society where boundaries between markets and companies are becoming increasingly vague and dynamic in terms of both time and space. This concerns the boundaries between companies and owners, and between companies and their business partners.

It is about the limits of the various markets and about what is generally defined as a market, and it involves the boundaries between the national state and the global community.

The word "transparency" can be found among SSG's core values. Transparency here means that we have an open and clear approach in relation to the outside world, that we give our employees, our customers, our partners and the community at large relevant and timely information about SSG's ongoing work processes. Transparency helps the outside world to better understand our decisions and our actions. Therefore, SSG's work and services are made even more credible and effective. Credibility is promoted primarily through regular information and communiqués, in which we are clear with the reason why.

Q One of SSG's areas of focus is maintenance. Can you elaborate how companies can improve their performance by introducing a sustainable angle to their maintenance strategies? Would you agree that sustainable maintenance is the key driver for the development of more sustainable companies?
Yes, absolutely. Global competition means that we must be much more cautious with our resources in order to be sustainable in the long term.

Today's economic models, which have their roots in the 1800s, are now aging and blurring our vision. Along with our partners, we are trying out new ways of looking at reality and new tools that take into account the sustainability value from a life-cycle perspective – the "life cycle sustainability value," at the present moment.

Our common vision is to create a sustainable technical strategy, train sustainability engineers, and assist companies to draft sustainability statements. The common sustainability training programs have already been started.

We also know that common standards in the industry will lead to enhanced resource efficiency, greater personal security, higher availability, greater reliability, and consequently greater sustainability. These standards facilitate both internal benchmarking for continued efficiency measures, as well as the choice of the best possible sustainable solutions in terms of purchasing and procurement. Our standards are raising demands and our development partnerships with suppliers. In other words, they are a vital stop on the road necessary to achieve greater sustainability.

Q How do you define your company's culture? How do you choose employees and what are the qualities that you value the most in your employees?
I would like to describe SSG as an organisation that is out on a constant uplifting journey towards the goal of being a conscious company; a conscious company is a business that succeeds in reflecting on its own operations.

You can work on change and development processes indefinitely, but you will not help the company survive and remain competitive in the long term if you will not also have good control of, and can respond to, the changes taking place – both internally and externally. Therefore, a conscious company is

GLOBAL COMPETITION MEANS THAT WE MUST BE MUCH MORE CAUTIOUS WITH OUR RESOURCES IN ORDER TO BE SUSTAINABLE IN THE LONG TERM.

attentive and is constantly working to find the best equation for the interface between the internal and external environments.

Skills development is also essential in a conscious company. The organisation is permeated here by a holistic mindset. Each individual is unique, with different motivations and each individual needs various support factors and incentives as the starting point in order to work in a team and to work in the right direction. Conscious companies utilise the motivations of individuals. This will result in employees' greater understanding of how it affects the company, division or department – which indirectly leads to a greater sense of participation and an understanding of the strategic perspective.

Consciousness also involves a continuous organisational learning process, which is based on the demonstration of humility in the face of a complex outside world and an active learning process when encountering new knowledge. This creates better preparedness for the company's important journey towards an unknown future.

For SSG, this is particularly significant, as skills development is also a genuine and intrinsic part of SSG's offering and services portfolio.

In order to achieve the optimum organisation that best supports the company's strategic business objectives, there must be a balance between the structure and the company's internal culture.

The biggest threat to the structural change of a company is its corporate culture. We are endeavouring to create an organisation that is as homogeneous as possible, with a common vision and set of values, which will provide the best support to the company's various business processes.

Q SSG has been consistently evolving its product portfolios and service scope. What are the next business areas you are looking to get into, or what are the service/product innovations that you are working on?

We will continue to develop our offering in skills development, especially when it comes to instructor-led and online-based training courses in the fields of engineering, procurement, logistics, health, environment, and safety. All experience shows that a focused effort to strengthen the safety culture can not only lead to a happier, healthier and more engaged staff, but also to improved productivity and ultimate profitability. Safety is not a station you arrive at, but more a way of traveling. It is actually about mitigating and avoiding all the incidents and accidents that occur at our industrial workplaces, to protect the health and safety of our employees, and to save lives.

We are also striving to develop more services to facilitate efficient purchasing. With a more extensive and advanced overall cost perspective, which also involves a closer relationship with suppliers, the purchasing process can be considerably streamlined which will save a lot of money for the companies.

SSG and the Swedish model have the strength in that we are inclined to change as we are trend-sensitive and have flat organisations along with the ability to provide informal collaborations.

We are even actively involved in working to develop new standards for sustainability and productivity within the framework of ISO 55000.

Together with our customers, SSG will also be heavily involved in the process of using IoT to draft new guidelines and methodology for developing significantly more efficient supply chains.

Q What are the key trends in the international process industry? What do you think should be the priorities of SSG if it is to remain influential in 2025?

With the increase in digitisation, we are now rapidly moving into what many term as the fourth industrial revolution – the "Industry 4.0."

The goal is self-organising production facilities where each product carries information about how and for whom it is being manufactured. The aim is also to achieve shorter set-up and lead times, fewer mistakes, more flexibility and no time-consuming programming.

Organisationally, this means a paradigm shift for business. The products, production, service, and maintenance are becoming increasingly integrated. Human knowledge is central and freedom of action has been expanded. This is an effort in organising and controlling the entire value chain and the life cycle of products.

The common aspects for success in the industrial Internet are the connection of machines and sensors, the link between suppliers and customers across the entire value chain, along with the ability to analyse large amounts of data.

Digitisation is a requirement for survival for European industry. A smart factory with autonomous production provides sustainable processes, higher levels of productivity, lower costs, and greater flexibility. We enjoy an increased tempo and speed in being able to deliver value when the company achieves a closer association with customers and their installations.

We have achieved a faster time-to-market process and an efficient division of labour along the value chain. However, we also enjoy financial benefits, such as an improved cash flow – where less volatile inventory levels and less "work in progress" collapses the amount of capital employed.

Even the maintenance will be affected. Future maintenance is becoming more of a preventive nature. No one can afford downtime. This requires maintenance where the machines both talk to each other and to the operator. It is about completely new production environments, where groups of machines communicate with each other and share the necessary data in order to optimise the manufacturing process.

However, there are multiple challenges. The collection and analysis of large amounts of information require new skills, which is likely to be in short supply in the future. Companies need to create new digitally customised business models. Achieving success also requires companies interacting in more advanced ecosystems with their partners and suppliers. Having well-functioning collaborative environments generates a win-win situation for everybody.

SSG's strong focus on skills development and our unique partnership concept can be of great benefit here. SSG and the Swedish model have the strength in that we are inclined to change as we are trend-sensitive and have flat organisations along with the ability to provide informal collaborations.

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LEADING HUAWEI: Seven Leadership Lessons of Ren Zhengfei

BY DAVID DE CREMER AND TIAN TAO

"Every generation produces its own great character, and each exerts impact for hundreds of years." True to this Chinese saying, Zhengfei has indeed proven that he had the influence and insights needed to design the most effective strategies to ensure that Huawei has grown into a world leading company. In this article David De Cremer and Tian Tao discuss the seven important leadership lessons that have made Huawei the company it is today.

June 2005: Huawei's first 3G mobile phone, the U626, was awarded the 'Best 3G Smartphone' by the Charlton Media Group.

The relationship between China and the European continent carries much history with it. Since China has become the second largest economy in the world, this relationship has taken new forms in the shape of several business initiatives. Particularly the Silk Road Economic Belt and the 21st Century Maritime Silk Road initiatives, which include a patchwork of diplomacy and free trade zones, have received their share of attention. The number of Chinese companies investing and engaging in acquisitions in Europe has seen a steep growth curve. One Chinese company that is increasingly becoming active in Europe is the Chinese telecom giant Huawei.

Although this multinational company surpassed Ericsson in 2012 as the world leader in terms of sales revenue and net profit, the company is still relatively unknown to the European business audience. This is surprising because Huawei has been very active in 2014 and 2015 in securing many partnerships with European firms, ranging from a focus on cloud storage and cell phone applications in security areas. Its founder, Ren Zhengfei, has recently even referred to Europe as a market where they feel at home as a telecom company.

The road to success for Huawei started in 1987 where it was founded in the economic testing zone of Shenzhen. In the early years, Huawei, as a private company, had to battle primarily the State Owned Enterprise (SOE) dominated market. Its fighting spirit, however, made it resistant to many negative

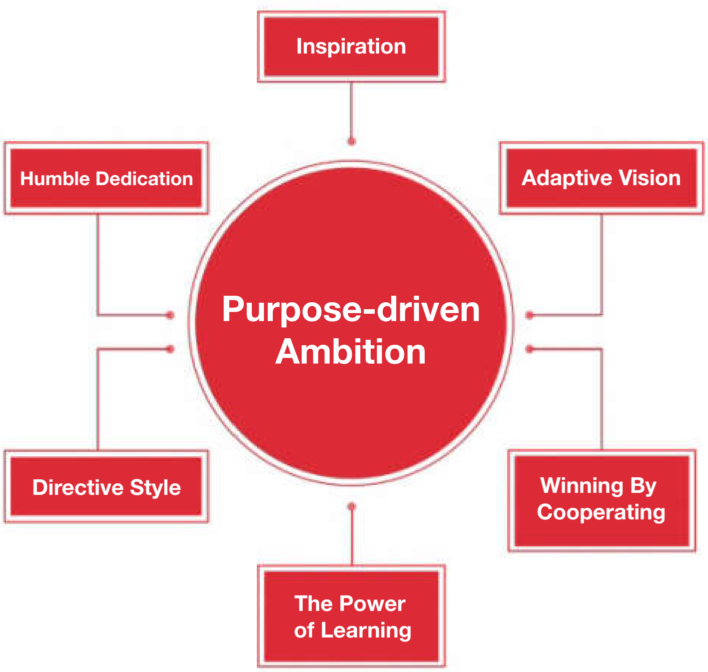
Looking at the Fortune Global 500 list, Huawei is the only mainland Chinese company (out of 91 Chinese companies listed) earning more revenue abroad (67%).

influences and today Huawei can be called the only true global Chinese company. Indeed, looking at the Fortune Global 500 list, Huawei is the only mainland Chinese company (out of 91 Chinese companies listed) earning more revenue abroad (67%). In fact, the company only seems to be growing stronger. In the fiscal year of 2014 Huawei reached an all-time high sales revenue of CNY288.197 billion (US$46.515 billion) and CNY27.866 billion (US$4.49 billion) in net profit.

Given these achievements combined with a certain myth of a Chinese emperor rising to the global stage, it begs the question what the philosophy and driving force behind this business success is. Many will say that the blueprint of Huawei's success has been laid out by Zhengfei and even though Huawei nowadays makes use of a rotating leadership system in which every six months another board member is the acting CEO, its founder still has a significant impact on the pace and direction of the company. Based on interviews with Huawei employees, its executives, and finally, Ren Zhengfei himself allowed us to arrive at 7 important leadership lessons that have made Huawei the company it is today (see Figure 1).

June 2006: Huawei launched the world's fastest and most compact HSDPA USB Modem, the E220, in Singapore.

Figure 1. The 7 Leadership Lessons of Ren Zhengfei



1. Purpose-driven Ambition

The core of Ren Zhengfei's leadership is the undeniable fact that he is very clear about the purpose of Huawei, which is helping customers to realise their dreams. It is a well-known fact that Zhengfei truly lives this purpose and pursues it with unlimited energy, making Huawei his natural born mission. In a way obsessed by doing good for the customer, Zhengfei is relentless in communicating this purpose by means of stories to his employees and convincing them that they all should be dedicated to pursue the mission of the company: "To connect people via communication."

Part of making the dreams of customers to come alive is the idea that providing the best service possible is crucial to the success of the company. In the early years of Huawei, Zhengfei was very much aware that their products did not meet the standards of those of its competitors. For that reason he looked for alternative ways to attract customers. In his view this could only be achieved by providing excellent services. For example, Huawei equipment broke down frequently, so Huawei technical engineers went to customer equipment rooms to repair the equipment at night when the equipment was not being used. Huawei responded to customers 24/7. This practice differed from the ones used by Western companies, which had advanced technologies and equipment, but ignored their services sector. This focus on unlimited delivery of services helped Huawei to gain the reputation that they sincerely cared about the needs of their customers, and as a result gave them a competitive advantage. For example, in the desert and rural areas in China, rats were a plague for the telecom connections to customers. The multinationals that were present in China at that time did not consider this to be their problem, but rather that of the customer. Huawei's competitors assumed that they only had to provide the technology to the customer. Huawei, in contrast, decided to provide these services to their customers. They viewed the rat problem as one the company had the responsibility to solve. An interesting consequence was that because of this purpose-driven strategy they acquired much experience in developing robust equipments and materials, which helped them later on to win several big business accounts in the Middle-East.

2. Adaptive Vision

Fuelled by his passion, Ren Zhengfei works hard to translate the purpose of the company into a vision

One of the strengths that people usually refer to when talking about Huawei's founder is that he is always thinking about the kind of company he wants Huawei to be in the next 10 years.

aimed at Huawei achieving a world leading status. While pursuing this vision, he continuously has proven his ability to design strategies that enabled him to adapt his vision to the challenges that the company faces. Important in this whole management process is that his use of an adaptive vision never compromises the purpose and values of the company. This ability derives from his pro-active attitude. He is continuously focused on the future and hardly ever ruminates about the past. As a matter of fact, one of the strengths that people usually refer to when talking about Huawei's founder is that he is always thinking about the kind of company he wants Huawei to be in the next 10 years. For example, Huawei plans the development of the company by decade, whereas most of their competitors such as Ericsson and Motorola plan it by financial quarter or year.

His ability to critically reflect on past successes and at the same time to identify the future challenges in the next decade makes Zhengfei an impactful business leader in the eyes of many Chinese. Indeed, as the Chinese say: Every generation produces its own great character *(Jiang shan dai you ren cai chu)* and each exerts impact for hundreds of years *(Ge ling feng sao shu bai nian)*. True to this Chinese saying, Zhengfei has indeed proven that he had the influence and insights needed to design the most effective strategies to ensure that Huawei has grown into a world leading company across three phases, each lasting about a decade. Interesting in this journey so far is that each phase is characterised by a specific focus and strategy.

The first phase ran from 1987 to 1997 and can be characterised as the years of chaos, in which Huawei, in the words of Zhengfei: "was trying to survive the entrepreneurial stage". It was all about hard work to bring the company up to the level that it was able to provide higher-quality service. In phase 2, running from 1997 to 2007, Huawei became more structured by hiring IBM to implement management structures as these were completely lacking at that time. In the words of Zhengfei: "Chaos was removed and structure entered Huawei". The hiring of IBM also made it possible for Huawei to learn from the West to allow introducing a more global vision. Zhengfei was very clear about this ambition and demanded that all Huawei employees would adopt the US-based way of looking at business as introduced by IBM. He made this persuasively clear by literally saying that it is necessary "To cut off your feet to wear the shoe" *(xue zue shi lu)*. In his view, it was necessary in the second phase to wear the shoes of the Americans, and if your feet would not fit then we have to cut it. This statement was understood as underlining that his global ambitions were there to stay and grow. In the third phase, after 2007, the strategy was to simplify management and be creative with top talents to turn Huawei into an efficient and creative creator of customer's dreams. Zhengfei was worried that phase 2 created a kind of decision-making that was less than efficient. Decisions were taken much slower than in the first – more chaotic – years of the company and fear existed that the bravery and courage underlying the company's striving for innovation would disappear. For that reason, phase 3 focused on simplifying management and creating conditions that more creative chaos could be brought back into the structured management models.

PHOTOGRAPH BY: HM Treasury
https://flic.kr/p/gJkDUk

3. Inspiration

Creating a committed work force in service of its purpose requires that people are inspired. One of the

consistent qualities that have been attributed to Ren Zhengfei is his ability to inspire others. Zhengfei is a big fan of the practice of story telling and makes extensive use of it as a vehicle to deliver his ideas to employees in a passionate manner. For example, in the early years of Huawei (Phase 1), he regularly told stories to employees that he believed that in 20 years Huawei would have 1/3 of the market share in the world, despite the fact that at that time Huawei only employed about 200 employees. Many of them thought at that time that he was crazy. Nevertheless, Zhengfei remained persistent in talking about his ambitions at all kind of occasions. Famous is the story where Zhengfei in Huawei's fifth year of existence, suddenly rushed out of the kitchen when cooking for Huawei employees abroad – his hobby is cooking – and announced, "Huawei will be a top three player in the global communications market 20 years from now!"

Underlying his focus on story telling is his strategy to energise people and introduce a sense of vitality to the projects that need to be undertaken. Especially in the entrepreneurial years of the company he used this strategy to be both a strong mentor and leader for his employees. As a leader he was used to delivering a vision and as a mentor he was guiding his employees towards their goal. For example, as the products of Huawei in their pioneering years were not yet well developed he visited many R&D offices abroad. During one of these visits, in 1997, he visited the Bell labs in the USA. The story goes that Zhengfei was so moved by the work done in those labs that he cried. Back home in Shenzhen, Zhengfei told everyone that the passion that he felt for that lab was equal to love. Bringing this emotion-laden message was meant to motivate his own people and eventually to make his R&D people believe that they could one day be better than the researchers at the Bell labs.

4. Humble Dedication

In his pursuit of the Huawei dream, Ren Zhengfei seems to know his own limitations and does not portray himself as the ultimate know-all leader. When he talks about his skills and qualities he always emphasises that he is not the most knowledgeable. It is clear that – although very ambitious and action-driven – he also cares about the value of being humble. For example, although his inspirational leadership style pushes forward the company and guides it through transformational phases, he is always quick to add that he may not be that good in bringing people together as many would like to believe. He is very careful not to feed the myth of his leadership and rather emphasises the importance of working hard in the success story of Huawei.

In a similar vein, since the beginning of Huawei, it is a known fact that Zhengfei is not a technical expert, but he never saw that as a weakness. Instead, he believed it was a strength. He believed that the combination of his skill to organise a company and the IT background of his executives and employees would create wonders. Zhengfei made this very clear when he said: "I do not know anything about technology, but I can bring people together to work for the collective." He is praised for his desire to hire better people in the areas he is weak in, with the ultimate goal to improve the quality of Huawei products and services.

Underlying these beliefs is clearly an idea of sharing responsibility but also sharing the rewards that are earned because of these collective successes. The best illustration of how rewards are shared is the fact that Zhengfei only holds 1.4% of the company's total share capital whereas 82,471 employees hold the rest of the shares (stated in Huawei's 2014 Annual report, as of December 31, 2014). This incentive performance system ensures that people are not only motivated to work hard towards collective success, but probably even more importantly it ensures that Huawei really is an employee-owned company.

5. Directive Style

In China, leadership has traditionally been grounded in a hierarchical top-down management system. Huawei is to a large extent no stranger to this system. The leadership of Ren Zhengfei, however, does differ from this rather "controlling only" style in important ways. On one hand he possesses the characteristics of a controlling leader who makes all the decisions. As can be expected of a man with an army background – he served in the People's Liberation Army – he is known to be intense and tough and never loses

Mobile World Congress

2009

Huawei debuted its first Android smartphone and announced its cooperation with T-Mobile.

Underlying his focus on story telling is his strategy to energise people and introduce a sense of vitality to the projects that need to be undertaken.

A common theme in everything that Ren Zhengfei as a leader undertakes is the ability to reflect, think and act.

control. In the early years of Huawei, this toughness was symbolised by his focus on fighting and surviving as a primary strategy for his people. The slogan at that time was: We shall drink to our heart's content to celebrate our success *(ren sheng de yi xu jin huan)*, but if we should fail let's fight to our utmost until we all die *(ju gong jin cui, si er hou yi)*.

On the other hand, Zhengfei is also known to give much freedom when it comes down to how decisions are executed. In Huawei's early years, Zhengfei retained authority on major decisions such as corporate development strategies and culture building, but fully empowered employees when it comes to R&D, manager appointment, compensation & benefit allocation, and other areas. This practice allowed managers to become more active and creative, but also created chaos. After learning from the West for almost 20 years, Huawei has established an increasingly standardized and institutional decision-making system. Collective decision-making ensured that Huawei made fewer mistakes and absorbed collective wisdom, but it also caused rigidity. Therefore, Zhengfei acted more like a catfish in the high-level decision-making process, who has constantly created imbalance to inspire passion across the organisation. Today, Huawei has developed a decision-making system with limited democracy and appropriate centralisation. Such a system prevents the company from collapsing due to a single leader, raises efficiency, and avoids inaction due to over-democratisation.

I do not know anything about technology, but I can bring people together to work for the collective.
– Ren Zhengfei

6. Winning by Cooperating

One defining feature of the Huawei culture is that it is able to bring together opposing forces and tendencies. One opposing force is the idea of "attack" versus "compromise" or also referred to as the simultaneous tendency to cooperate versus compete. As mentioned earlier, the first two decades of Huawei's existence were dominated by the force of attack in order to survive and gradually become a better service provider. At that time, Zhengfei clearly used a competitive mindset as the driving force to grow as a company. Essential in his idea to compete, however, is that it should be done with respect for its opponents.

Where does this idea of competing in a cooperative way come from? This company philosophy was inspired by the heroic tales of the Glorious Revolution that took place in England in 1688. Zhengfei has a strong interest and passion for learning about historic events. In the early years Huawei had the tradition to regularly invite scholars from the East and the West to talk about the histories of their countries. One story that stayed with Zhengfei was the overthrow of King James II of England by a union led by William of Orange in 1688, which was called the Glorious Revolution. This revolution was also referred to as the bloodless revolution because the victory of William of Orange was achieved without bloodshed. This fact inspired him to embrace the idea that one can win and still be cooperative.

This idea of adopting a cooperative mindset in a competitive market can be illustrated by Huawei's efforts in the UK. For example, In the UK, Huawei has put much effort into convincing the British government and general public that they and their procedures can be trusted, by (a) Setting up the Cyber Security Evaluation Centre in Banbury to ensure the quality of their equipment, and (b) Cooperating with the GCHQ, the UK's signals-intelligence agency, to ensure that the networking equipment and software is reliable and secure. In fact, the recent and growing success of Huawei in Europe can also be attributed partly – in addition to their service-oriented focus (see again the point of purpose-driven ambition) – to their philosophy of explicitly incorporating a strategy to develop cooperative relationships with competitors in the market. Indeed, EU officials initially wanted to investigate the anti-dumping act in relationship to Huawei's products. Despite this controversy, Huawei received support from both Ericsson and Nokia, stating that in their view Huawei was not dumping its products.

7. The Power of Learning

A common theme in everything that Ren Zhengfei as a leader undertakes is the ability to reflect, think and act. He is frequently quoted as saying that the most important thing to value is the power to think. He does not only consider this kind of power to be an important personal characteristic but sees it as an essential part of the Huawei culture. According to him, Huawei should be focused on building a company where people's minds are the main asset and resource

Huawei has indeed invested considerably in creating a learning driven culture where the power of the mind is visible.

Ascend P7 Sapphire Edition: China's first 4G smartphone featuring a sapphire screen.

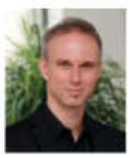
Huawei unveiled this year's flagship smartphone; the P8, featuring a 5.2-inch FHD screen, 1080p (1920 x 1080), powerful 2680 mAh battery, more powerful Hisilicon Kirin 930, 8-core 64bit, 2.0GHz chipset.

to rely on. The importance of thinking, in his view, is that it provides the skills to connect the dots needed to work with an agile vision and strategy. In a way Zhengfei works hard to always keep clear to himself a kind of meta-view that enables him to make informed strategy decisions.

Interestingly, such a strategy suggests that a power of thinking attitude aligns with a shared learning orientation. Huawei has indeed invested considerably in creating a learning driven culture where the power of the mind is visible. As we noted earlier, often references to past historic events are used to shape actions and beliefs towards the future. Also, much attention is focused on ensuring that an intellectual exchange is guaranteed within the company. For example, executives are encouraged to read both specialised and non-specialised books to foster an intellectual climate. In a similar vein, Huawei makes use of an internal online forum, Xinsheng Community, which is accessible to all Huawei employees worldwide. On this forum, ideas are communicated frequently by senior executives and Zhengfei and feedback from all 170,000 employees is encouraged. For example, in 2014, the company made a decision on bonuses, which received over 70,000 negative comments, leading to a modification of that decision. Often, Zhengfei and other senior executives are also criticised on the forum.

Do these seven lessons primarily make Zhengfei a cerebral type of leader as the power of the mind is placed so central to his philosophy? Not really, we think. Although he has introduced a strong focus within Huawei on continuously learning and reflecting, he leads his company with the passion of a true founder. It makes that he is characterised by his employees as someone who leads with his heart and moves with his mind. His passion to be the best technology company they can be – in service of the customer – ensures that he has deserved the reputation of being eager to keep learning and stay informed all the time.

About the Authors



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5 Myths about Employee Learning

Here are some common misperceptions about corporate education—and how to get beyond them.

Under what circumstances do organizations embrace a learning culture?

Often, it's when they go through dramatic change, prompting leaders to take the time to uncover what is not working when their company is struggling, or even failing. Yet many organizations find that their time and energy are focused on navigating an increasingly complex global economy and advances in technology, leaving little time to build a learning culture. Building such an environment has never been more critical than today, given those very complexities.

HR practitioners define the value of the learning experience. They are vital partners in developing effective corporate learning programs within their organizations.

Below are five myths about learning and insights that debunk them. Do these statements ring true for your organization?

Myth #1: Our employees don't have time to engage in learning programs, especially if it takes them away from work.

Leaders with vast responsibilities will tell you that they learn the most when they have time to think about their work, their challenges, and their values. Getting away from the day-to-day demands and experimenting with ideas has a value that may be hard to quantify. At work, employees find themselves bombarded with continuous emails, tweets, meetings, and information overload that distract them from learning. Research has shown that these constant stimuli hurt short- and long-term memory.

The most powerful learning experiences require all aspects of the learner to be engaged, so organizations must create programs that stimulate learners emotionally, intellectually, and behaviorally.

Examine the learning experiences you offer to your workforce, and help employees see why time spent learning will add to their value and to the value of the organization.

Myth #2: If we offer our high-potential employees learning experiences, they will take that learning and leave.

This is a common fear—but what is really happening when you lose a high-potential employee? People leave when they don't have the opportunity to practice, to innovate, to experiment with new learning and new ideas. The real question is, "Do we have an environment, a climate, where learning is valued?"

Silicon Valley is the perfect example of the kind of place where organizations are on the edge of learning all the time. Businesses are focused on innovation and competition, and the corporate cultures support and value learning—it is a competitive advantage.

People who learn and leave hurt the organization not because they are taking intellectual property or competitive information but rather because they are taking a mindset, and knowledge drives results.

Case Study: Google Marketing Academy

To build on Google's innovative learning culture, Wharton's executive education program teamed up with the search engine giant to create the Google Marketing Academy. The goal of the academy is to "get out of our own selves and really understand the world outside our own company," says Suzanne Martin, head of global people development, brand and marketing at Google.

In the past six years, the academy has hosted nearly 1,000 "Googlers"—the company's name for its employees—for a six-month program that includes two live sessions and an on-the-job practicum. "At Google, we believe learning is a process, it's not an event. It involves feedback, reflection, and practice and happens over time," Martin says.

Google leaders also take the approach that learning is social. "Everyone who comes to Google comes with a learning hat and a teacher hat—they have to teach as much as they learn," Martin says, referring to the company's g2g, or "Googler to Googler," program that puts employees in teaching roles.

Myth #3: To be effective, learning needs to be experiential, not theoretical.

Effective learning is both. Organizations must embrace the experiential part of learning and give learners opportunities to apply theories based on evidence. Employees want learning that is applicable to their day-to-day challenges. HR professionals must grapple with this duality. If theories are too simplistic or overly pedantic, learners lose interest and check out. It's important to foster a learning environment that helps deepen our understanding of business realities, and what to do about them.

Consider, for example, the role of personal bias in the everyday decisions leaders make. That's when the classroom comes alive. Everyone has a practical takeaway. The next decision a leader makes will be much more informed.

Myth #4: Employees learn best online because they don't have to worry about looking stupid in front of their peers.

Creating learning experiences in the classroom and on the job must give learners a chance to let down their guard and actively engage in learning. Among executives, there is a subtle, often unspoken sentiment that they have a lot more to lose if they show that they still have things to learn. At Wharton's Aresty Institute of Executive Education, when we get a group of senior executives in a classroom of peers, their image and self-importance often accompany them into the room. Perhaps the popularity of massive open online courses (MOOCs) is driven partly by the reluctance of many adults to reveal just how much they don't know. While it might be convenient to learn away from peers—and it reduces initial awkwardness—MOOCs do not capitalize on the richness of learning from others and of reflecting on your unique approach to leading. A well-designed online program includes interaction among teams, small groups, and faculty.

Myth #5: To be a learning organization, we need an initiative around it.

Learning is not something you can package into a program; it's part of an organization's culture. It is something you must do every day. To think that someone can operate in a leadership role without learning from his or her mistakes and embracing new ideas is shortsighted. Leaders learn from their experiences. A key reason many executives are derailed on the job is that they quit learning.

For more information on Wharton Executive Education's programs, contact +1.215.898.1776 (worldwide) or execed@wharton.upenn.edu, or visit: www.WhartonForOrganizations.com

Senior Team Development for the Unwilling

BY JOHN SUTHERLAND

Traditional team work over-emphasises the whole team approach far more than is needed for most practical purposes. In this article, John Sutherland discusses developing effective team work for senior teams.

Clare had an issue. Senior team work was unproductive but she was not sure how to resolve it to make progress. The team members were all strong characters and no one had time for any development. Too busy. Historically, when they had explored how they worked together, it opened up a whole new can of worms about how fundamentally different they were from each other. Too risky. In fact, the mere suggestion that the senior team needed developing was deemed to be mildly offensive. Too senior.

Team Development is Never an End in Itself

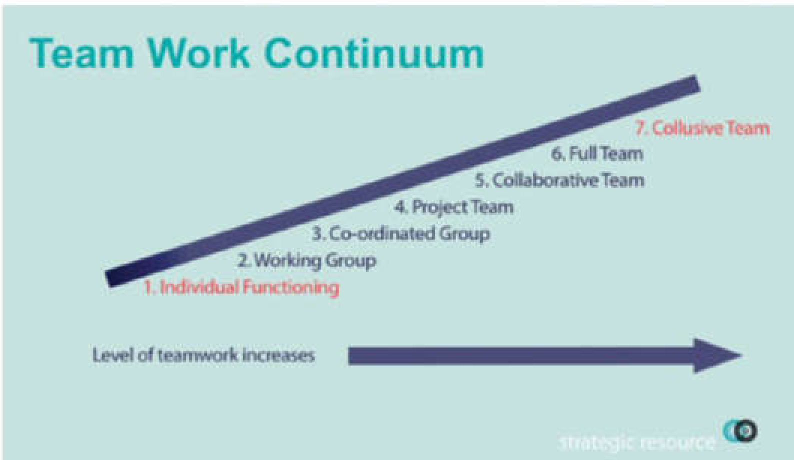
The senior team just needs to be able to develop and deliver their part of the business plan, and not get in the way of others who are busy delivering their part. The senior team's job is to move the dial on performance, not to feel like they have excellent team work. So, rather than focus on team development, focus instead on supporting them whilst they are busy making progress on their key strategic drivers. No one has time for team building these days. But making team work fit for purpose whilst you crack on with delivering the plan is both efficient and effective. Efficient because it avoids taking up extra time. Effective because you develop practical forms of team work that operate well in the heat of the moment. Craft yourself an excellent "dashboard" that gives you a dynamic view of progress against plan and the stage is set to crack on with the work.

Here are four facilitative factors that we have found helpful in maintaining progress with your senior team.

1. Avoid gratuitous team work

Much of the work that actually needed to be done in Clare's team, to make progress against plan, was best done by individuals, pairs or small groupings. Only three items needed the full team of seven to all be involved. These were setting the budget, agreeing the medium-term strategy and ensuring a consistent approach was taken across the organisation on bonus incentives. And here is an interesting point. Traditional

> Senior team work (meetings aside) is really a collection of sub-groupings, linked together to make the necessary progress. Mature teams slide up and down a team work continuum.



team work over-emphasises the whole team approach far more than is needed for most practical purposes. Senior team work (meetings aside) is really a collection of sub-groupings, linked together to make the necessary progress. Mature teams slide up and down a team work continuum (see graph on the left page).

Individual functioning means that no team work is taken place. Best avoided.

A working group has a clear leader whose task is to ensure each person is focussed on the relevant tasks so that, overall, progress is made.

A co-ordinated group, in addition, ensures that the communication about these tasks is flawless, externally and internally, so that communications are consistent and no work is repeated.

A project team is formed for the life time of that project and disbands upon its completion.

A collaborative team finds that, on a routine basis, fuller team work is required to achieve the desired outcomes.

A full team is one where, like an operating theatre, it would be impossible to operate alone. There is no such thing as a lone anaesthetist. They are always part of a team.

A collusive team means that you have moved into the danger area of "group think" where individuality is stifled. Very dangerous.

When Clare first saw the level of team work continuum she let out a sigh of relief. She feared that anything focussed on team development would, inevitably, end up with them having to spend yet more time locked in a room together. Nothing could be further from the truth.

Try this fifteen minute team work exercise.

1. Write the team work continuum up on a flip chart.
2. Ask your senior team work colleagues to place their initials next to the level of team work they have observed the team using (on average) over the previous two months.
3. Discuss any clear differences in perception. Fascinating issues tend to appear when you do.
4. Ask your colleagues to place their initials next to the level of team work they think (on average) the team need to be working at in order to achieve the business plan.
5. If there is a gap between the two sets of scores, talk in detail about the practical differences in team work that these scores indicate.

Developing your own senior team library of team work processes is an excellent way of refining your team work, developing real ownership and increasing productivity.

I do this exercise a lot with senior teams and this is what I find.

Most teams place themselves at 2.5 for their team work over the previous two months and say they need to be at 3.5 in order to achieve their business plan.

When asked what the practical difference will be it translates into more intentional use of each other, rather than ploughing their own separate furrows.

At some point, and this is the key to this exercise, the realisation appears that the whole range is helpful. The skill is in knowing when to flex the level of team work to match the needs of the business plan.

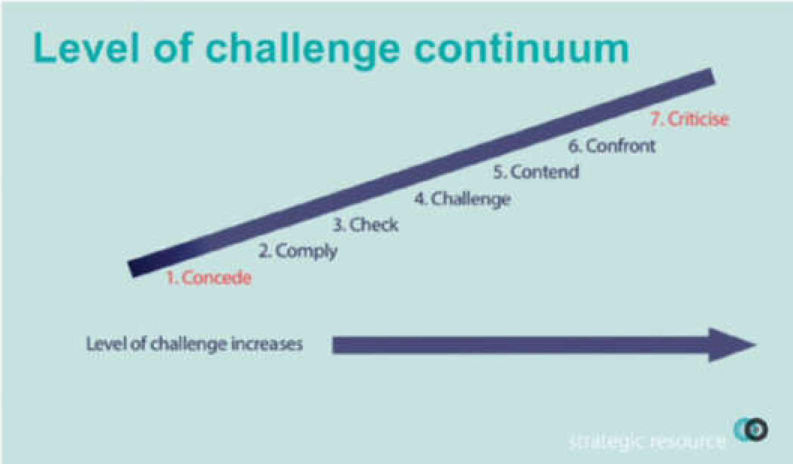
Gratuitous team work means attempting to keep the level of team work at 4-5 all the time, irrespective of the need, and is to be avoided at all costs. Much time is wasted in business by the notion that we "must be a team". Only be a collaborative team when you need that level of team work to achieve your strategic objective.

2. Develop your unique library of team work processes

Developing your own senior team library of team work processes is an excellent way of refining your team work, developing real ownership and increasing productivity. I wrote about this in the July-August 2015 edition of The *European Business Review* (pages 45-47) which you can read on-line at http://www.europeanbusinessreview.com/?p=7712. The 4 P's save teams an average of 25% of their meeting time. If your senior team leads by example, and insists that all other teams do the same, the total amount of time saved in your organisation will be significant.

3. Resetting the team's level of challenge

My colleague David Powell and I were working with an investment team whose performance was not where they needed it to be. They would not have invested in themselves. After running them through a team review, focussed on why a team of highly



intelligent, financially literate professionals were struggling, the "culprit" turned out to be a lack of challenge. Some teams avoid strong disagreement. Other teams seem to be in constant conflict. What about your team? (see graph above)

The challenge continuum is a useful yard stick for self-assessing your senior team. Just as in the fifteen minute exercise above, ask your colleagues to say where they think the level of challenge has been, on average, over the last 3 months. The difference on this continuum is that there is a preferred level. You need to be able to be at 4 (challenge) and 5 (contend) on the key strategic issues, otherwise decisions will not be robust enough. "Contending" is perhaps a word that needs unpacking. It means I have a clear view on what we should do next, and so do you. We start from the assumption that the best solution will be a synergy of both our views, rather than one person "winning the argument" or, some sort of mucky compromise. So, rather than working to pull you over onto my side, I seek to understand why you, experienced professional that you are, see it differently from me. I don't back down from my view but I give yours a damn good listening to. And you do the same with me. If we both do this cleanly, in a distress free way, the solution that gets forged through the heat of our strong debate will be better than the one either I or you had in mind before we started.

4. Leveraging your differences

I wrote before that team work is a difference engine and divergence is the fuel. (*The European Business Review* January-February 2014 pages 58-60). You need individual differences to be stated clearly and cleanly to allow team work to flourish. But how do you understand the differences between you? Some are obvious. She is an accountant. He is an engineer. Others are more hidden, but equally telling, and have been hard-wired into us through our nature and then reinforced by our experience (nurture).

At the senior team level there are three that are crucially important.

The first is the different way people gather information, in order to make a decision. Just over half of us like to get into the details and consider what is happening right now. Before we can think about future strategy we need to develop the case from the ground up, making sure each step builds on the last. The rest of us prefer to stand back from the detail to see the overall pattern and conjecture where the emerging trend will take us. We let others worry about how to fill in the gaps between the current situation and our imagined future. For the "ground up" people we look as if we have our head in the clouds, talking about mere blue sky potential. For the "trend spotters" the ground up people seem like they are painfully slow and stuck in the past. Most senior team tensions are expressions of these differences in approach. Of course you need a blend of both approaches to get the best answers, but that can only happen if we see value in each other's preferences.

The second is concerned with the approach to risk. Some of us are really good at seeing everything that could go wrong. We can instantly spot all the manhole covers left up in the road we are about to attempt to drive down. The rest of us are fantastic at finding ways around, through, over or under obstacles - once they have been pointed out to us. For us there are no

Team work is a difference engine and divergence is the fuel. You need individual differences to be stated clearly and cleanly to allow team work to flourish.

problems - just opportunities in disguise. The difficulty comes when the bias is firmly towards either end of the risk spectrum, without the corrective balance. All risk and no action leads to analysis paralysis. All opportunity with no risk analysis is just asking for trouble.

The third senior team difference is about values. Values lie hidden well beneath consciousness and only bubble to the surface when someone inadvertently goes against our taken-for-granted assumption about what I think you must/ought/should do. There are a vast array of examples but one should suffice for this article. Some of us act on the assumption that in work you should follow instructions and comply. Fine to be your own boss in your leisure time but you are paid to do what you are told, so get on with it. Some of us have the exact opposite working assumption, that the only way to get the best out of people is to set them free. Tell them what they need to achieve, of course, but never cross the line of telling how to achieve it. That will simply demotivate them and suppress their creativity. Compliance versus freedom. Which side are you on? Our values are not for changing. Don't even try. Chances are, if you are having full on conflict with a team member, and you really can't understand why, conflicting values will be at play. Knowing your own values is an excellent starting place to monitor what presses your buttons.

Too busy? Too risky? Too senior?

Too important to leave undone, was Clare's verdict. We all know the senior team has to lead by example. What better example can you set than developing effective team work through delivering the business plan?

All risk and no action leads to analysis paralysis. All opportunity with no risk analysis is just asking for trouble.

About the Author

John Sutherland is the Director of Strategic Resource, which assesses and develops senior teams in order to support them achieving their business plan. He is also the Director of the Leadership Initiative, which provides bespoke in-house programmes focussed on the specific skills required for each unique organisation.

COACHING: THE KEY TO YOUR SUCCESS

Individuals and teams are turning to professional coaching for support in maximising their personal and professional potential. ICF Credential represents the gold standard in professional coaching certifications and offers coaching consumers a sense of security surrounding their hiring decisions.

Everyone has goals they want to reach, challenges they are striving to overcome, ideas that need a road map and times when they feel stuck.

A growing number of individuals are turning to professional coaching for support in identifying and living out their vision and purpose so they can be the best versions of themselves. Partnering with a professional coach can unlock your potential and set you on the path to thriving personally and professionally.

The International Coach Federation (ICF) defines coaching as partnering with clients in a thought-provoking and creative process that inspires them to maximise their personal and professional potential. Coaching is a client-driven process. The coach's responsibility is to:

- Discover, clarify and align with what the client wants to achieve
- Encourage client self-discovery
- Elicit client-generated solutions and strategies
- Hold the client responsible and accountable

An individual or team might choose to work with a coach for many reasons. According to the *2014 ICF Global Consumer Awareness Study*, conducted by PricewaterhouseCoopers LLP, some of the most common reasons clients cite for partnering with a coach include:

- Optimising individual/team work performance (42 percent)
- Expanding career opportunities (33 percent)
- Increasing self-esteem/self-confidence (31 percent)
- Improving business management (29 percent)
- Managing work/life balance (27 percent)

> Partnering with a professional coach can unlock your potential and set you on the path to thriving personally and professionally.

Your financial investment in coaching can vary dramatically depending on factors including geography, the coach's experience level and your own role in your organisation. It's also important to be ready to invest your time and energy in a successful partnership. To get the most out of working with a professional coach, you should have a clear idea of your desired outcome; be open to collaboration, other viewpoints and new perspectives; and be prepared to devote time and energy to making real changes.

ICF recommends interviewing at least three prospective coaches and requesting at least two references for each coach. Consider asking the following questions during the interview:

- What is your coaching experience (number of individuals coached, years of experience, types of coaching situations, etc.)?
- What is your coaching specialty or areas in which you most often work?
- What types of businesses do you work with most often? And, at what levels (executives, upper management, middle management, etc.)?

Industry research shows a positive link between coaches' credentials and their clients' overall satisfaction with the coaching experience.

- What is your philosophy about coaching?
- What types of assessments are you certified to deliver?
- What are some of your coaching success stories (specific examples of individuals who have succeeded as a result of coaching)?

Most importantly, you should research each coach's training, professional memberships and credentials.

As the world's largest organisation of professionally trained coaches, ICF offers coaching consumers a sense of security surrounding their hiring decisions. In addition to adhering to the stringent ICF Code of Ethics, all ICF Members must complete at least 60 hours of coach-specific training that meets ICF's rigorous standards; as a result, consumers can have confidence that ICF Member coaches are well-trained and well-prepared to offer their services.

Possession of an ICF Credential is another clear sign of a coach's willingness to take his or her professional performance to the next level. As the only globally recognised credential for professional coaches, the ICF Credential represents the gold standard in professional coaching certifications.

The 16,000-plus coach practitioners who hold ICF Credentials represent the best in the coaching industry. ICF Credential-holders have fulfilled rigorous education and experience requirements and demonstrated a strong commitment to excellence in coaching. To be eligible for an ICF Credential, a coach must complete coach-specific training; achieve a designated number of coaching experience hours; partner with a Mentor Coach; and demonstrate the appropriate understanding and mastery of ICF's definition of coaching, Code of Ethics and Core Competencies.

Industry research shows a positive link between coaches' credentials and their clients' overall satisfaction with the coaching experience. According to the *2014 Global Consumer Awareness Study*, 93 percent of consumers who recalled that their coach held a credential or certification reported satisfaction with the coaching experience.

For more information on how an ICF-credentialed coach can help you unlock your potential, visit Coachfederation.org/potential.

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A Transformation Manifesto

BY RICHARD LYNCH AND JACK CALHOUN

Transformation is not about external forces, they are inevitable. It's not about reorganisations, they don't work. There are more profound issues with the very nature of business models and design of work. Misaligned leadership, functional hierarchy, obsolete business models, archaic governance models, and the lack of strategy to execution (S2E) processes are the issues transformation must address.

In *Moving Beyond the Anecdotal – What It will Take To Create Your Digital 2.0 Business Model*, we noted that entire industries continue to be disrupted due to rapidly changing behaviors in how humans interact with technology and information. Companies that traverse this chasm will discover not just that they need a Digital 2.0 Business Model, but they need a roadmap to direct, execute and deliver on that model.

Next in *Talent Management 2.0*, we built the case that talent management must become an even more integral part of business strategy. Technology and processes can be copied. People know-how, experience, ability to collaborate, and glean insights can't be. Already, new groundbreaking practices are emerging in companies like Tesla, Netflix, Pepsi and Google. What's emerging is a newer view of strategic Human Resources: one that demands talent analytics to inform business decisions, addresses organisation capability gaps, and is delivered in a more distributed way. New cloud-based platforms enable talent management capabilities across the organisation; where and when needed.

That said, transformation is not about external forces such as digitisation, they are inevitable. It's not about reorganisations, they don't work.

There are more profound issues with the very nature of business models and design of work. Don't count on process improvement; it never leads to transformation. It's only a flare for incremental change.

Misaligned leadership, functional hierarchy, obsolete business models, obsolete governance models, and the lack of strategy to execution (S2E) processes are the issues transformation must address.

Ten Principles that Guide Business Transformation

Our colleagues, Jim Champy and the late Mike Hammer provocatively used the term "manifesto" in their book, *Reengineering the Corporation: A Manifesto for Business Revolution*.

We believe an amendment is needed.

A Transformation Manifesto

We proposed the following tenets:

1. The ability to run, improve, and transform the business simultaneously is leadership's major focus.
2. A strategy to execution process is cultivated and includes many contributors. Without this, run/improve the business will fail and transformation will be impossible.
3. The strategy to execution process is driven by vision and inspiration. The best type of transformation is value innovation driven; not a response to market forces.
4. Fundamental rethinking of the business-operating model is embraced. Forget hierarchy; it's all about capability development and deployment.
5. There is a deliberate shift away from command and control models to new networked models of work.
6. The adoption of new capability-based behaviors, metrics, and responsibilities is widespread.

Misaligned leadership, functional hierarchy, obsolete business models, obsolete governance models, and the lack of strategy to execution (S2E) processes are the issues transformation must address.

7. Transformation requires the use of new techniques; capability modeling, business value analysis, heat mapping, investment road mapping, and enterprise architecture.
8. Higher velocity is created by using agile/scrum for the business and IT.
9. Inspired stumbling forward is encouraged and rewarded.
10. Transformation starts with CEO and C-suite leadership and centers on Talent Management. Leadership demands more from HR and IT to leverage talent for better collaboration and to create the conditions for innovation and growth.

Where better to test the implications of the manifesto than in Higher Education?

Higher Education's Tipping Point

Higher education claims that they are different.

Undeniably they are.

Colleges and universities share a rich and special tradition. Students and parents place their trust in the institution to help the student explore new possibilities, grow and mature; and get a higher paying job. Despite the criticism of higher costs, graduates earn significantly more than workers without a degree. What's more, the gap is widening. In 2002, a Bachelor's degree-holder could expect to earn 75 percent more over a lifetime than someone with only a high school diploma. Today that premium is 84 percent.[1]

In the United States, despite spiraling tuition costs and massive student debt (at $1.2 trillion student debt now tops credit card debt), demand is still strong at many colleges and universities; especially from more profitable international applicants.[2]

Faculty members have employment security in the tenure system and administration staff and operating costs are exploding at a rate higher than all other industries including healthcare.

In the United States, federally funded research dollars keep flowing in, dictating the research agenda. In Europe, publicly funded block grants have been curtailed and targeted funding is more common.

Annual salary increases, employee benefits and retirement plans continue to be among the best offered.

As billion dollar businesses, many universities have not had to act like a business: especially when it comes to getting lean.

Why change?

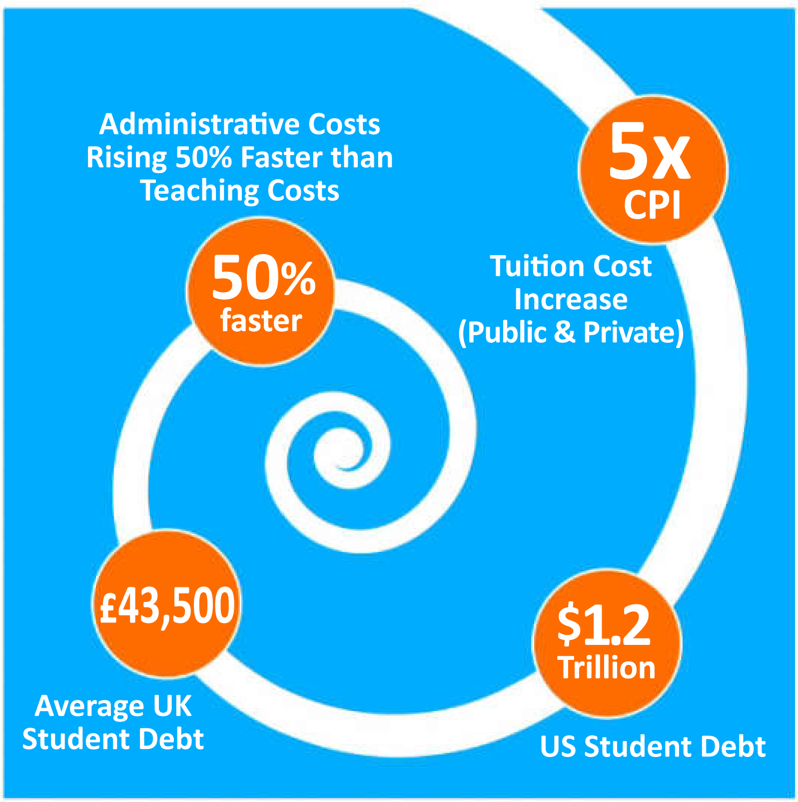
The simple answer is that higher education has hit a tipping point and has to transform.

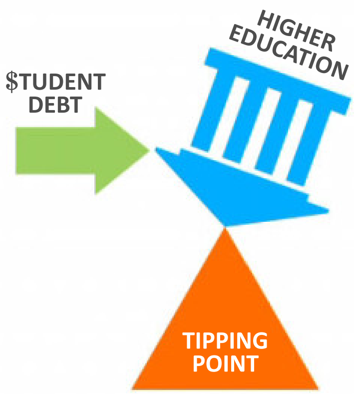
Harvard Professor and disruptive innovation expert, Clayton Christensen claims that while higher education institutions in the United States have been very successful for centuries, things are changing because the scale and the cost is so enormous. *"Higher Education has a product that is so expensive that a lot of people can't pay for it, and they have to go into debt. And it just isn't viable."*

The same is true in European Universities. In the UK, student debt is exploding: reaching an average graduate debt of £43,500. In other countries where tuition fees are paid for or highly subsidised by the government, the tipping point is taxpayer burden.

But universities today around the globe are caught up in the game of beating your rivals; not just on the football field but also in the school rankings and the number of spa-like facilities. As a result, the mission of educating becomes obfuscated and there is an excuse to raise tuitions.

Figure 1: Is the higher education business model sustainable?





Julian L. Alssid, Chief Workforce Strategist at the College for America, summarises the magnitude of the changes needed.

"Systemic change (goes) beyond individuals, individual programs, beyond even enlightened leaders. It needs the ground to shift. It needs larger planets to align. As we enter 2015, I believe the ground under education is really shifting. And in my amateur astrological way, I believe three important planets have moved into alignment: (1) Economy and Demography. (2) Industry/Business Engagement and (3) Politics and Public Policy."

Economy and Demography

Consumer behaviors have changed since the Great Recession of 2007 in the US and the European Financial Crisis; people are taking less risk and incurring less debt. Today, college costs and the value received is under scrutiny; the central theme in Andrew Rossi's 2014 documentary film 'Ivory Tower'.

Workforce strategies are changing as well. Businesses openly recognise a skill/experience gap in the marketplace but are spending less on training; transferring the burden to the worker. Employers expect schools and individuals to close the gap.

Generational shifts are compounding these issues. Retiring Boomers are creating skills gaps while Boomers who remain in the workforce need retraining. On the other end of the spectrum, Millennials are forced to leap frog from job to job to advance and increase their salary. This practice creates higher turnover which can lead to periodic skills gaps as well.

At the same time there is high demand for new skills such as business intelligence and analytics, Science, Technology, Engineering and Math (so called STEM skills). European governments have responded with targeted funding in these disciplines.

New trends such as increasingly cost conscious and risk adverse consumers; reductions in industry's investment in training; and increasing skill gaps in the workplace and highly focused demand for STEM skills aren't going away soon. Coupled with the continuing decline in undergraduate student progression and graduation rates[3] these trends have exposed an Achilles heel in higher education: outdated business models.

Industry/Business Engagement

To partially offset the economic, demographic, and public policy issues some businesses are engaging with higher education institutions to shape curricula to make them more relevant to business and industry needs. This is resulting in closer collaboration between institutions of higher education and businesses *in the workplace environment*.

Schools like Boston-based Northeastern University are filling the gap in strategic markets impacted by cuts in state funding such as California. According to Northeastern, they are opening *"a series of educational hubs embedded in select companies across the Bay area in California."* Already, leaders in experiential learning and with a global network of 3,000 business partners worldwide, Northeastern is bringing STEM skills to the front door; co-locating within Integrated Device Technology (IDT) in Silicon Valley. Part of the strategy includes attracting minorities and women.[4]

Politics and Public Policy

In the United States, as state and other government education funding pull back and administrative costs continue to pile up, the financial burden shifts to the student; an increasingly political hot potato!

On the national scale there is a move towards skills-based educational alternatives such as Wisconsin and Capella University's competency-based education (CBE).

This situation leads many to ask a profound public policy question: is traditional higher education only a right for the wealthy?

In response, many colleges and universities are going global and offering new hybrid forms of online and in-class courses. Others are offering certifications and programs outside of the traditional four-year programs. Some leading universities are partnering with businesses to offer experiential learning to meet targeted/hot skill demands.

The Impact

University leaders (presidents, provosts, deans, and function heads) are starting to think about how to pivot their operating model to become more relevant in a changing world. Rather than operate in silos as many universities and colleges do today, some Universities like Michigan and Northeastern are experimenting with hybrid models that seek to leverage common resources across schools while allowing individual schools budget autonomy.[5] A major goal is getting closer to customer segments and markets in support of long range plans. Equally as important is the recognition to make efficient use of

Businesses openly recognise a skill/experience gap in the marketplace but are spending less on training; employers expect schools and individuals to close the gap.

The shift to global markets, hybrid and experiential learning and alternatives to traditional four-year degrees is forcing university administrators and faculty out of their comfort zone and into areas where they are not necessarily the experts.

resources; including cross-unit collaboration for leverage and central administrative units or shared services for efficiencies.

Still many higher education organisations are slow to make changes.

Even if there is a recognition of the need to change, how do you undertake large scale change in an institution with deeply held beliefs and entrenched behaviors?

Challenges

The shift to global markets, hybrid and experiential learning and alternatives to traditional four-year degrees is forcing university administrators and faculty out of their comfort zone and into areas where they are not necessarily the experts. As universities seek to transform in response to fiscal realities, new customer dynamics and technologies, some are recognising that the challenge is like starting a new venture built on 100 year-old infrastructure.

The adoption of contemporary technology platforms and free and paid digital content will be central to their chances of success. Not many institutions have invested sufficiently in these tools. Just a short time ago, technology platforms were all 'on premise.' Integration largely required human intervention doing batch data loads between ERP, Supply Chain, and HRIS systems. The operation required complex human-to-human process communication and human-to-machine process support or rather intervention.

Today with cloud technology, embedded platform business process management and enterprise service bus (ESB) technologies, the automation of information flow between different enterprise support systems and functional departments is changing how we think of process engineering.

CRM Platforms like HubSpot, HRIS platforms like Workday and cloud ESB technologies like Mulesoft are not just empty technologies looking for data to be inserted. They actually come with built-in processes to help the business improve inter and cross-department communication and information flow. To implement Hubspot while ignoring their Inbound Marketing process would equate to buying a car and pushing it (and rewarding the pushers) as opposed to using the car's technologies to make the car run.

Talent Management is just as crucial for colleges and universities looking to change. The reasons are worth repeating. Technology and processes can be copied. People know-how, their experience, their ability to collaborate, and their ability to glean insights can't be. Already, new groundbreaking Talent Management practices are emerging in companies like Tesla, Netflix, Pepsi, and Google. These companies have adopted a newer view of Talent Management: one that demands talent analytics to inform business decisions, address organisational capability gaps, and is delivered in a more distributed way. Cloud-based platforms discussed above enable talent management capabilities across the organisation; where and when needed. Solutions like Workday come with not only prescriptive analytics but predictive ones as well. For example, illustrating things that will happen in your organisation - like who is a flight risk - allows universities to course correct quicker and more efficiently.

In the case of Talent Management, higher education is no different from other industries. In fact, it may be more important in higher education to manage their talent strategically with faculty and administrative search costs soaring. In many instances it takes a year to select a new President – does your institution have a year to run rudderless?

Higher Education – From 'Strategy to Execution'

According to Grant Thornton, higher education will have to acknowledge the elephants in the room. But the elephants such as differed maintenance are just the tip of the iceberg.

The issues run deeper.

Larry Ladd, Grant Thornton's Director, National Higher Education Practice estimates that only about 25% of University Administrators believe the existing business model will be sustainable for more than 5 years. Therefore, it's time for Universities to reexamine their strategies from their mission to their investment plans.

Do they invest in new rock climbing walls or more modern approaches to corral spiraling costs?

Strategy to execution requires college and university presidents to answer 10 questions to more clearly define their strategic and operating response to higher educations' tipping point:

1. Has our mission changed or should we revise our mission?
   a) Who are our customers, where do we serve, and to what extent?
   b) Is our spending proportionate to the mission?
2. What is our university's operating model?
   a) Do we operate like a Holding Company (schools act in their own interests), Allied Company (some local autonomy based on market needs and a strong desire to share some services) or an Integrated Company (one strategy for all parts of the university and common systems throughout)? There are big cost ramifications of this choice.
   b) To what extent or not do we share resources, agree to common platforms, and utilise shared services?
   c) What technologies are needed to support our model? Are we confident that we have embraced the right model to achieve our objectives?
3. Do we have a revenue exposure?
   a) To what extent will Massive Open Online Courses (as they evolve), short-term and certificate programs, virtual classrooms and other technologies impact our school's four-year, on-campus undergraduate degree programs and revenue?
   b) What is our school's growth strategy to close revenue gaps? What are the organic opportunities (e.g. raise fees, fund raising, adjacencies and new growth platforms, etc.)
   c) Are there acquisition or joint venture opportunities?
   d) How can colleges and universities reshape our market?
4. Does our business strategy need to change?
   a) Most universities have been focused on capacity (fill seats and research labs) and provide value through high quality curricula.
   b) Are these a given today and do universities need to compete on getting closer to customer and markets?
   c) Do universities need to move the value discussion to innovation and the customer experience across channels?
5. How do we pivot our business models to respond to vastly different plausible scenarios (Political, Economic, Social, and Technology)?
   a) Can our university respond quickly?
   b) How can agile techniques be adopted or adapted when we have made decisions slowly?
6. How do we promote our university brand and compete in new markets?
   a) In a crowded field, how do we standout?
   b) How does our brand address local diversity and cultural issues while preserving what's unique about us?
7. What capabilities do we need to invest in to execute our strategy and growth plans?
   a) What missing capabilities are needed and where should they reside?
   b) How do we better leverage knowledge resources across the university?
   c) What capabilities can we buy, broker or borrow to close gaps?
8. How do we assess the complicated and interrelated sourcing, organisation and technology platform issues?
   a) If we implement new platforms, it opens up new locations of work possibilities, including self-service.
   b) If we outsource many capabilities, we may not need new platforms. Pick the Business Process Outsourcer with the best technologies.
9. Are we clear on where we can target cost reductions without impacting students or increasing risk so that we can pursue growth?
   a) How can our school invest in needed capabilities and digital technologies and get leaner at the same time?
   b) Can administrative groups adopt lean and process improvement techniques to reduce waste?
10. How do we manage the change?
   a) Do we have enough leaders with the backbone to set a course of change, walk the talk, communicate across and down powerfully from the heart and the head and hold others accountable?
   b) How do we help staff cope with these changes and stay productive?

The adoption of contemporary technology platforms and free and paid digital content will be central to their chances of success.

Summary

Whether higher education, healthcare, retail, energy, financial or just about every other industry it is time for leaders to address the transformation questions above. This will require a disciplined strategy to execution process to address today's market changes, growth challenges and outdated business models. It will also require challenging sacred cows, deeply ingrained beliefs and organisation cultures.

The Transformation Manifesto principles are a good place to start the conversation.

This will require a disciplined strategy to execution process to address today's market changes, growth challenges and outdated business models.

About the Authors

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The Impact of Becoming Demand-Driven

BY KARIN BURSA

To become demand-driven requires the ability to segment customers, know which 10 or 20 customers contribute the most to your bottom line, and ensure you can satisfy their needs.

Becoming demand-driven enables companies to knock down organisational silos and create an integrated planning platform that ensures all teams involved are aligned and working toward the same goal – the ability to profitably satisfy demand. In this article, Karin Bursa discusses the impact of becoming a demand-driven organisation.

For many consumer goods (CG) companies, "becoming demand-driven" requires a significant break from the past. The organisation must leave behind its legacy processes and embrace a new way of approaching the supply chain. The first questions to be answered are: What does it mean to be demand-driven, and what are the benefits to your organisation?

Being demand-driven, in its most basic form, means thinking about your business from the outside in, understanding what the market wants and determining how you will satisfy that demand. As simple as this may sound, it can be a difficult concept to execute. Decades of manufacturing-as-usual and pushing products to market has engrained our attitude toward efficiency and output. The focus has become: how much product can we produce and how efficiently can we distribute that product to market?

Being demand-driven flips this around and asks companies to determine how they can accurately perceive and satisfy the demand that exists, using all available resources, products, production capacity, and distribution networks. Here the market *pulls* goods from you. The idea that if you "build it they will come" is no longer valid.

Impact on Products

The pace of new product introductions (NPIs) in consumer goods places pressure on supply chain organisations to collaborate with sales, marketing, finance, operations, etc. to develop an accurate plan that ensures the right product arrives at the right place for the right price at the right time.

The shift to a demand-driven philosophy impacts the CG product portfolio. For example, a traditional inside-out plan would look at a portfolio of 14 product families and develop a plan to push these out to the market. In a demand-driven organisation, we first take a look at how many product families the market can absorb, and which products will sell at quantities that are profitable. This approach could drive the 14 product families initially planned down to 12 or 11, based on what the market can absorb.

Impact on Customers

Consumer goods companies often look at customer-specific demand (for example a retailer) instead of demand in aggregate. To become demand-driven requires the ability to segment customers, know which 10 or 20 customers contribute the most to your bottom line, and ensure you can satisfy their needs. This information lets you develop a plan that meets the service level agreements in place.

Impact on Channels

Consumers today are buying product through multiple channels, from retail to wholesale to online and direct from the manufacturer. Both the mix of channels and the capabilities to serve the channels profitably are critical to success. As channel complexity grows it is important to look at the demand for each product through each channel, as opposed to determining demand for each independently. You must develop the demand-driven capability to slice and dice and evaluate based on more than just a volumetric or financial measure.

I Know My Demand, Now What?

When you understand demand for a period of time, there are two key steps:

1. Determine if the demand is being realised at the

The road to become demand-driven requires a change in mindset, a change in process and an excellent technology foundation to make it happen.

expected pace, or if demand needs to be stimulated. Demand sensing techniques can quickly determine how a product is performing against plan and indicate when sales and marketing efforts are required to influence consumer behaviour.

2. De-emphasise the outbound point-of-view. Historically, CG companies have thought about planning product from a ship-from point-of-view. Today, demand-driven companies plan based on a ship-to process. Where will customers need the product? For example, selling through a retail chain with seven distribution centres can lead you to look at the demand for each distribution centre and the most profitable path to deliver the product there. From this information, you can set smarter inventory policies as well as supply and replenishment strategies.

A Change in Philosophy

As our business philosophy changes and we start to look at demand from the outside-in, the strategy begins to change. Smaller, more frequent shipments are required for some customers while others may see better results from special pack sizes that facilitate the rapid movement of goods through the distribution centre. This shift can be seen most often in the apparel and footwear market where each retail location may receive a different assortment of styles, sizes, colours, etc. To help facilitate this demand, special packs and labeling can help facilitate the distribution.

In another example, retailers such as home improvement centres may require unique packaging or the inclusion of accessories that help differentiate a product in its store from the same product in another. For CG manufacturers this means holding two distinct inventories for very similar products. As a consumer goods company, you need to evaluate complex inventory investments based on the pull through of that particular customer. You need to compare multiple scenarios that will allow you to bring together your strategic goal of being demand-driven.

The Proof is in the Pudding

Demand-driven organisations receive significant benefits. While there may be greater inventory stratification, inventory significantly lowers across the network, including obsolete inventory. Lower inventory investment allows CG companies to turn around and reinvest the savings into NPIs and market expansion.

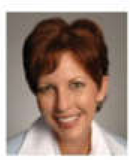
Demand-driven organisations also see an improvement in forecast accuracy. With a more focused approach to evaluating demand and the products required to satisfy that demand, accuracy increases. This has a waterfall effect across the supply chain. With a better predictor of demand you can better align inventory and supply, position inventory accurately, and utilise your production and distribution assets more effectively.

Another area where CG companies are achieving significant gains is in customer service. With clear visibility to specific customer level demand for a product, you are able to more profitably meet their needs when and where they want it.

New products create risk for CG companies and can disrupt the production and distribution of well-established products. Becoming demand-driven enables you to knock down organisational silos and create an integrated planning platform that ensures all teams involved are aligned and working toward the same goal – the company's ability to profitably satisfy demand.

The road to become demand-driven is not an overnight excursion; this journey requires a change in mindset, a change in process and an excellent technology foundation to make it happen.

About the Author



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The Rationality of Risk
Creating Real Value After a Legacy of Easy Money

BY CHRISTOPHER SURDAK

In order to get back on the path of value-creation and rational, sustainable economic growth, businesses must first tackle their tendency towards absolute risk avoidance and recognise that risk is, necessarily, part of the value generation equation. In this article, the first in a three part series of essays on business risk management, Christopher Surdak discusses the apparent expectation of growth without risk.

Summary

When I was very young, I remember adults telling me a range of sayings about money, value, and working. Usually these sayings would go something like, "You don't get something for nothing", or, "Nothing of value is free." Other favourites of prior generations included, "Waste not, want not", "You get what you pay for", or "A penny saved is a penny earned." These notions of value were ingrained in me from a very young age and they've stuck with me, with varying degrees of success, to this day.

While many of us may be familiar with such concepts there seems to be much evidence that people believe the exact opposite of these old axioms. From government handouts to the bailout of entire countries, from corporate quarterly reports to Internal Rate of Return (IRR) hurdles set by financial executives, it seems that we humans have a built-in expectation of getting something for nothing.

The principle of creating value while minimising risk is a long-standing goal of business management. Every potential reward carries with it some related risk of loss and the role of executives, managers and leaders is to balance the risk/reward equation. To meet this expectation business people have been creating a range of tools designed to this end. Financial forecasts, Return on Investment (ROI) analyses, Management By Objectives (MBOs), Key Performance Indicators (KPIs) etc., are all artifacts of the desire to assess and manage the relationship between risk and reward. These tools are so pervasive that they are part of the basic curriculum of business and engineering schools the world-over.

However, throughout business and society there appears to be an expectation of growth WITHOUT risk, which I propose is an impossible and undesirable

There appears to be a growing trend towards risk avoidance rather than merely risk management and this is leading to extremely counter-productive behavior on the part of many businesses.

trend. Over many decades our expanding practice of monitoring every nuance of our business operations and decision-making in an attempt to manage risk appears to have been perverted. There appears to be a growing trend towards risk avoidance rather than merely risk management and this is leading to extremely counter-productive behavior on the part of many businesses.

In order to get back on the path of value-creation and rational, sustainable economic growth I'd offer that businesses must first tackle their tendency towards absolute risk avoidance and recognise that risk is, necessarily, part of the value generation equation.

In this, the first in a three part series of essays on business risk management, I discuss this apparent expectation of growth without risk. I discuss where this expectation comes from, why it appears pervasive in today's business environment and why this trend may no longer be sustainable.

Part two of this series will present a number of tools, techniques and approaches used by managers to avoid risk, and why this may explain the slowdown of growth in the global economy. Finally, in part three I will discuss how some leaders are more successful at managing risk than others and the tools and techniques they use to achieve their results.

Risks and Rewards: A Primer

A fundamental tension in business, and indeed in life itself, is that between risks and rewards. Whether we are seeking air, water, food, shelter, clothing, companionship, knowledge or principle there is some risk of disappointment and loss with each need we strive to fulfill. This is the basis of choice in life, and is a fundamental struggle that all organisms face each day; what we often refer to as "living."

This same principle holds true in business. In business we combine limited resources (capital, time and labour) with intangibles (knowledge, innovation, choice and experience) to create desired outputs (more value-added resources, profits or perhaps the most desirable output there is: more time). Collectively we have labeled the process of deciding how to best combine these inputs in an effort to gain these outputs "business," and the people making these decisions "managers."

As a mid-career business person I have undergone

A fundamental tension in business, and indeed in life itself, is that between risks and rewards.

decades of training in economic and business principles. This training, both formal and informal, has ingrained in me the fundamental concepts of how markets think, how investment works, and how the marriage of capital, labour and innovation foster growth in our global economy. Like you, I have been force fed from the well of knowledge regarding how best to create maximum value from each investment made, while managing factors that introduce variability, instability and ultimately risk into the equations by which businesses operate. But, as you may have seen me express in past essays, as time wears on I grow increasingly skeptical of these teachings, or at least the Modern, Western, Capital-Centric interpretation of them.

Opportunity Costs

In the natural state of our world there is very little that may be gained without some degree of risk. Risk and reward generally scale harmoniously; the greater the potential reward, the greater the risks involved.

Like our ancestors, we face these choices every day. For instance:

1. Eat this apple: If it's poisonous, you die, if it's not, you live another few hours.
2. Kill that mastodon: If it succeeds in defending itself, you die; if you kill it, your whole clan lives for a month.
3. Buy oil futures on the commodity markets: If global demand for oil goes one way, you make money, if it goes the other, you're ruined.

This makes sense because rarely are there rewards to be gained without competition or risks in doing so. Organisms are constantly at odds with each other over limited resources. Where a resource is unlimited organisms naturally grow until it is no longer so. Nature hates a vacuum and life hates an untapped resource. As such, we all live in a universe where, according to the First and Second Laws of Thermodynamics, nothing comes for free; at least not for very long. We will return to this discussion in a moment.

Are we better off if we take this path or that, make this investment or the other? Invariably one choice is better than the others and our ability to make the right choice can at times be the difference between life and death. This opportunity cost is a further dimension of risk. When one combines the process of attempting to optimise opportunity costs, maximise profitability and minimise risks with our present ability to measure ourselves down to exceptional degrees of granularity, strange behaviours start to arise. As physicists found with quantum mechanics, at the scale of the very small and very detailed, our beliefs about how the world works start to fall apart.

Homo Irrationalis?

While risk, reward and opportunity costs are all a part of life, in many ways we humans have been insulated from some of the effects for an extended period of history. Humanity has experienced explosive growth in a relatively short period of time. We launched ourselves out of Africa upwards of 70,000 years ago pushing before us any number of less aggressive, less clever, less irrational cousins who stood in our way. We conquered Europe and Asia in due course and exploited plants, animals and minerals by inventing the technologies now known as agriculture, animal husbandry, mining and engineering.

We all live in a universe where, according to the First and Second Laws of Thermodynamics, nothing comes for free; at least not for very long.

By 45,000 years ago Australia fell; crossing Asia in a remarkably short period of time. By 14,000 years ago we breached North and South America, pushing before us mega fauna such as mammoths, ground sloths and mastodons and dominating the genetic future of plants such as corn, tomatoes, potatoes and chillies. By 5,000 years ago most of Polynesia was ours too. By then we understood the breadth of our vacuum.

For the next five millennia, it was time to fill it. And fill it we did. From Babylonia to Egypt, from Greece to Rome, from Mongol to Ch'in from Spanish to English, we sought to fill the relative void of unexploited resources. And all along the way, we bred ourselves to be good at it, too.

Filling the Cup Called Earth

Once we had discovered our world we began to infiltrate all of its nooks and crannies. We began to leverage its depth through exploitation. Geographical exploitation resonated with our technical advancement

allowing us to use up the planet's resources with ever-greater efficiency; otherwise known as economic growth. Indeed, the combination of finding new resources to exploit (The Western Hemisphere, for instance) and new technologies with which to exploit them (steel, gunpowder or oil, for instance) directly led to the massive growth in the human population, our economy and our relative wealth.

D.I.E., Discover, Infiltrate, Exploit. This is a process that defined who we are, what we do, and how we do it as a species. It is the basis of our culture, our lives, and our economy. We have used this approach to dominate our planet and to grow fantastically rich. It could be argued that a great deal of this growth was achieved with relatively little risk to us. Certainly, millions of people died at the hands of emperors, slaveholders, conquerors and generals. Still millions more died in the processes of exploration, colonisation, exploitation and industrialisation. And, occasionally some of us succumbed to a random bear, shark, angry bull or tsunami.

Nevertheless the gains achieved over the last few Millennia came relatively cheap. The wilderness that we pushed aside was at times harsh but it never really stood a chance. There were no other species that had a reasonable chance of out-competing us, with the possible exception of various bacteria or viruses. I'm not suggesting that our conquest of our planet was cheap or easy but it certainly wasn't a fair fight, either. Using DIE, humanity discovers new territories to put to use, infiltrates them to understand them and then exploits them to our advantage.

We leveraged technology more and more and exploited the untapped reserves of our planet seeming to gain accelerating degrees of productivity, and with it profits. Where productivity growth outpaces inflation we experience an interesting result: effectively-free money. That is, each unit of input creates more than what may be reasonably expected in direct conflict with the First and Second Laws of Thermodynamics (which state, in part, you don’t get something for nothing).

DIE, and Expectations of Riskless Rewards

As we took over the planet we were effectively filling an empty cup; we were fighting against nature and chance but little else. Combining our technology with our relentless nature and DIE approach allowed us to succeed with relatively little risk; at least in light of the rewards to be gained. Our success at this process seems to have instilled in us an expectation of riskless

rewards. It gave us a belief that we somehow rose above the survival equation that governed all of the other organisms that share our planet. Indeed, many of us believe that we are in fact Divine. Many believe that we don't follow nature's laws but rather another set of laws, and a different set of rules. We have developed an expectation of great rewards for relatively little risk because as a species this has been our experience for a quarter of a million years.

This expectation and the power of our DIE approach is evident in our conquering of the New World, where we stripped the continents bare of their trees, tilled their native plants under to create farmland, dammed their rivers, harvested their fauna, and dug up their minerals, all for our use. With industrialisation we further extracted their mineral wealth and put our populations to work in powered factories. Again, there were risks in all of these activities but nowhere was this risk proportional to the gains made by our society; by the wealth CREATED by these activities, in defiance of the laws of thermodynamics.

Pushing the Digital Frontier

During the first half-century of the information age our society has experienced productivity growth that far outstrips anything we have seen before. In information we found a new frontier with which to apply DIE, and we have done so with great vigor. We

applied DIE and expected to again make large gains in return for little risk.

Information technology has been used to improve the intangible inputs in our economy; the knowledge, innovation, choice and experience that we apply to physical resources to create value. This, in conjunction with the growing ability to measure our performance with ever-greater precision, seems to have convinced us that risk is not only manageable, it should be avoidable. In so doing, we were creating value from using physical things more efficiently, effectively and creatively, but we still had the same amount of stuff to work with.

Accelerating productivity meant that business people found themselves in an unlikely and unsustainable situation; both the opportunity costs of and the risks associated with any particular investment have been disproportionate and unreasonably small. The harmony between risk and reward has been skewed, although thankfully in our favour. This has been our experience of the world for a very long time and it seems that we expect that these unreasonable gains will continue unimpeded by the laws of nature.

Perhaps this is the key to our current economic climate. In a finite world with finite resources we can become ever more clever in how we use those resources to make outputs that we desire but the world is still finite, and there is only so much that improving our intangibles can do to make up for this situation.

Heisenberg Was Right

As noted previously our society has created a range of tools for assisting in the process of business investing and these have grown in sophistication, resolution and accuracy over the years. Most contemporary

Information technology advancement and the growing ability to measure our performance with ever-greater precision seem to have convinced us that risk is not only manageable, it should be avoidable.

managers are drowning in reports, metrics, alerts, warnings and KPIs, all designed to assist in creating value from investments while minimising risk.

As with all things in the universe the process of measuring the relationship between risk and reward changes the relationship itself; an application of Heisenberg's Uncertainty Principle from Physics. Heisenberg uncovered that in order to measure the state of an electron one had to observe it. But, he noted, the observation could only be made as a result of a change in the electron's state, which meant that the electron was no longer the same after the observation and the measurement necessarily gave a slightly inaccurate reading.

The same is true in metric-driven businesses. We measure our organisations both more thoroughly and with greater granularity which naturally changes the conditions of the business itself. When we measure that something is wrong, we strive to fix it. When quality is poor we try to improve it. When a process is inefficient we change it. This is learning and growing, and we expect this of both organisms and organisations.

The End of the Road for Easy Money?

Metrics, Information Technology, Analytics, Machine Learning; all of these things are intangible inputs into what makes our society and our economy function. Our technology advancement will no doubt continue apace and we may continue to see humanity's DIE approach continue to work, at least for a time. While this continues we may still enjoy relatively riskless rewards, and continue to grow inside our limited ecosystem.

However, there is talk these days about our planet running out of carrying capacity for humanity's

> MANY OF OUR BUSINESSES OPERATE AS IF OUR WORLD IS RELATIVELY FREE OF RISK. WE ACT AS IF GROWTH RATES GREATER THAN THE RATE OF INFLATION ARE A RULE, RATHER THAN AN EXCEPTION.

activities. That we need to do more discovery of new frontiers, we need to find new resources, we need to find new sources of the stuff of life, and perhaps depend a bit less on infiltration and exploitation. Maybe this means colonising the Moon or asteroids, maybe it means conquering the ocean depths, perhaps it means digging ever deeper into the Earth. In any event, without tapping into new sources of raw materials it will be increasingly difficult to make easy money out of our old friends: infiltration and exploitation.

What Does This Mean for You?

If you're still reading hopefully you found this discussion to be of some interest. There are powerful parallels between how humanity has taken dominion over our planet and how we operate our businesses today. It may not always seem like it, but many of our businesses operate as if our world is relatively free of risk. We act as if growth rates greater than the rate of inflation are a rule, rather than an exception. We appear to believe that we can get, indeed SHOULD EXPECT, something for nothing.

This thinking may be appropriate during the Discover and Infiltrate phases of humanity's DIE approach. But this thinking completely falls apart in the late stages of Exploitation. One wonders what was going through the mind of the leader who ordered the death of the last wooly mammoth, or the cutting down of the last tree on Easter Island in the Pacific. What will be going through the mind of the fisherman who lands the last tuna, or the truck driver who hauls the last load of mineable phosphorous, so critical to 21st century agriculture?

Success in business means making good choices regarding risks and rewards. Even so, for most organisms competition means that risks win out more often than not. This hasn't been the case for humanity in a very, very long time. Instead, we have lived under the graces of a rich planet that has supported, even encouraged, our Discover-Infiltrate-Exploit approach.

In order to succeed going forward it is critical for business people to know in what part of the DIE continuum your business is in, how many resources remain for your continued use, and how much room is left for intangibles to drive further returns on investment. If you are in an old industry, using old technologies, experience, processes and resources to produce the same old outputs, there is likely very little room for further exploitation. As such, your expectations of continued growth without risk are not only misplaced, they're irrational.

Conversely, if you are discovering new territories, new sources of raw materials (actual or intangible) new worlds to be conquered, you may continue to use humanities tools to full effect. Finding new worlds and new resources is where DIE works best. It is innovators and explorers who are most likely to continue to find new lands from which they can create riskless rewards; or at least the illusion thereof.

In the following two segments of this discussion we will explore the DIE behaviours that demonstrate irrational expectations of riskless returns, and examples of those who have effectively created new territories to be explored, in the face of great risk.

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FOR WHOM THE BELL TOLLS, REALLY

THE IMPACT OF THE SANCTIONS AGAINST RUSSIA

BY DAN STEINBOCK

The sanctions against Russia are working; but not for Russia, Ukraine, the EU, or even the US.

In the 2nd quarter, Russia's GDP contracted 4.6 percent from a year earlier, following a 2.2 percent contraction in the 1st quarter. A severe contraction was expected after the selloff in oil, currency crisis and the consequent plunge of consumer demand. But the plunge was worse than anticipated and most since 2009.

As Moscow has struggled to speed up the diversification of its industrial structure and to defuse the repercussions of the plunging energy prices, it has also sought to shift its economic relationships from the transatlantic axis to the East. Nevertheless, in the past 12 months, the ruble has depreciated over 43 percent against the dollar.

In Washington, the consensus is that "the sanctions are working." However, the question is, *for whom?*

Sanctions unified Russia

In March 2014, Washington and Brussels initiated sanctions against Russian individuals and interests in response to developments in Crimea and Eastern Ukraine. For 1.5 years, the hope has been that sanctions and the Ukraine crisis would quash President Putin's popularity. In reality, Ukraine has been pushed close to default, while the sanctions have united Russians behind Putin.

Before the Ukraine crisis, diminished economic prospects caused Putin's approval rating to plunge to 61 percent; the lowest since 2000. In 2014, the sanctions and the annexation of Crimea galvanised public opinion behind Moscow. Today, Putin's approval ratings remain at 87 percent, according to Levada Center.

Currently, some 56 percent of Russians support Putin's "Unified Russia" Party, while communists, militant and nationalists, and social-democrats together have about 15 percent, according to the Russian Public Opinion Research Center.

In the US, many observers suspect that putinism and statism are on the rise because barely 65 percent of Russians support the prime minister and the government, and just 45 percent are behind the parliament. However, that's a tricky argument. After all, in the US, the approval of the Obama administration and the Congress is about 40% and 15%, respectively, according to public polls and Gallup. In other words, president Obama's support in the US is barely half of that of Putin's in Russia. Even worse, the support of the parliament in Russia is three times higher than that of Congress in the US.

Yet, the West continues to rely on the idea that

In reality, Putin's actions reflect the wishes of the Russian people, including the moderate majority and the emerging middle classes.

"Putin is the problem, Russia is with us." In reality, Putin's actions reflect the wishes of the Russian people, including the moderate majority and the emerging middle classes. Before the global crisis, the latter accounted for almost fifth of the population; today, only a half or a third of that.

Months of sanctions have hardened sentiments across-the board and on all sides. In Russia, moderate centrists have turned into assertive nationalists and informed social-democrats into passionate communists.

Before the sanctions, more than half of Russians held positive views of America. Today, that figure has plunged to just 15 percent. Similarly, support for President Obama in Russia has fallen from 40 percent to barely 11 percent, according to Pew. In turn, the number of Americans who see Russia as US's greatest enemy has doubled to 18 percent.

These findings come amid rising, but diverging tensions between Russia, Ukraine, the US and Europe. Brussels is not eager to extend further sanctions in the near term but nor will it readily remove them.

In the US, the 2016 presidential campaigns are likely to increase anti-Putin volume, while members of the Congress have proposed extreme actions, which range from declaring Russia in breach of its obligations under the nuclear treaty (INF) to ousting Moscow from the World Trade Organization.

Unfortunately, the implications of the sanctions seem to remain poorly understood in the US. One reason is the huge gap between US self-perceptions and international perceptions of the US. According to Gallup, only 2 percent of Americans see the US as the "greatest threat to peace" – as against every fourth person globally.

From hopes of détente to new Cold War

Today, contemporary 'Russologists' seek to outperform each other with "doom and gloom" forecasts. Nightmare scenarios are fashionable and sell well. Nor can they any longer be discounted. After all, Moscow is vulnerable to broadening sanctions, plunging energy prices, the fall of the ruble and rising inflation.

But was Russia's new contraction inevitable, or "natural"?

The simple answer is no. Earlier in the spring when oil prices seemed to recover, Russia's outlook still had substantial potential, as I argued then. If, at the start of the year, you would have invested in Russia, you would have walked away with comfortable risk-adjusted returns half a year later.

The country continues to have strong turnaround potential, as evidenced by its best gains relative to other BRICS, based on Bloomberg data.

The more complex question is whether Russia's new contraction is even desirable; even to those Western interests that support sanctions. This presumes that the purpose of the Western sanctions is to use sticks and carrots to limit Moscow policy directions in ways that serve Western interests and those of Russian people.

In contrast, some critics of the sanctions argue that the ultimate objective is not to encourage pro-market policies in Russia but to clip Russia's economic future. These skeptics include Stephen F. Cohen, a leading Russia expert who warned already in 2006 that "US-Russian relations had deteriorated so badly they should now be understood as a new Cold War – or possibly as a continuation of the old one."

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Presidential Press and Information Office
https://flic.kr/p/6XvNt5

Today, most economic and geopolitical evidence points toward the decreasing probability of détente and increasing likelihood of a new Cold War.

Toward 3%+ contraction

In the pre-sanctions Russia, growth was expected to remain weak in 2014-15, due to stagnant oil demand, while institutional weaknesses reflected a poor investment climate. Even in early 2014, markets still projected growth of 1.7 percent that year and 2.3 percent in 2015.

Those forecasts are now hollow dreams that few care to recall. After months of sanctions, Russian

economy contracted by 3.5 percent last year. During the ongoing year, another contraction of up to 3-3.4 percent is likely. Currently, the most promising scenario is that Moscow would return to weak (less than 0.5%) growth in 2016.

The ruble has fallen to about 67 against the dollar but 77 against the euro, which matters even more, due to the close economic relations between Brussels and Moscow.

What about medium-term expectations? In a benign scenario, Russian growth could still climb to 1.5 percent by the late 2010s and stay there until the early 2020s. But that's a far cry from the pre-2008 BRIC-style growth of almost 7 percent.

Even these projections may soon have to be downgraded, due to negative feedback effects - including Russia's sub-optimal growth, adverse spillover effects in Eurasia, accelerating escalation between US/EU and Russia, the economic fall of Ukraine, and rising geopolitical threats in the regional neighborhood.

In 2009, then-President Dmitry Medvedev launched a modernisation programme to decrease Russia's reliance on oil and gas revenues and to create a more diversified economy. This is what most successful industrialisers have done through history, by gradually moving higher in productivity and the value chain.

Yet, energy continues to account for most exports and investment has been falling.

Fall of energy prices

Why are oil prices still low? According to conventional wisdom, the plunging energy prices are predicated on the effort by Arab countries, particularly Saudi Arabia, to drive down the price to make it commercially challenging for US producers to launch cutting-edge extraction technologies. In this view, leading Arab producers seek to sustain a crumbling oligopoly through low-cost responses.

An alternative explanation is that the military interests between the US, Saudi Arabia and the Gulf states, along with US-Egyptian relations, override commercial considerations. Low prices are not just economic realities but can serve geopolitical purposes.

According to Russia's central bank (CBR), the likelihood of oil prices remaining below $60 barrel for a long time is probable. As those prices now hover around $44, the year-end figure is likely to stay close to or below $60. That's $5 less than what US shale-oil producers claim can profitably increase production. Reportedly, two-thirds of Russia's oil-processing firms are operating at a deficit.

At end of July, the CBR cut the key rate by 50 bps to 11 percent, while warning on cooling economy and downplaying inflation. Until recently, Moscow's accommodative fiscal policies, monetary easing and large buffers have helped to absorb the shocks. However, investment has been falling.

As far as international investors are concerned, Russia needs greater progress in the implementation of structural reforms and rule of law.

In the pre-crisis years, Russia's outward foreign direct investment (FDI) was about 16 percent of gross fixed capital formation. Last year, it was 14 percent. What has changed dramatically is the role of the inward FDI. It was over 15 percent in 2013 but plunged to barely 5 percent last year. As far as international investors are concerned, Russia needs greater progress in the implementation of structural reforms and rule of law.

Unsurprisingly, dissension is forming in the CBR as its monetary chief Dmitriy Tulin is speaking for easier credit and targeted lending to industry to rejuvenate the economy. In contrast, the central bank's governor Elvira Nabiullina advocates traditional market-based policies. Both are concerned that the continued fall of the oil prices could drain further the CBR's $360 billion in reserves.

Destabilisation ahead

Washington cannot afford to underestimate Russia's strategic power and its popular unity. Russia remains the third biggest military spender in the world, right after the US and China. In the US, military expenditure fell by 7 percent last year, whereas in Russia the figure increased by 8 percent. While Putin remains committed to upgrade the Russian military at the cost of $600 billion through 2020, the US-EU sanctions have fostered support to these objectives among Russian people.

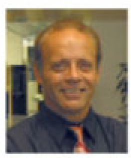
Most importantly, Russia is a nuclear superpower. While the US has an estimated 2080 deployed warheads, Russia's corresponding figure is 1780 and the number of total warheads is actually greater in Russia (7,500) than in the US.

In the past year and a half, the sanctions have further deepened stagnation in Europe, while reducing the impact of euro economies' fiscal policies and the effectiveness of the European Central Bank's quantitative easing. The repercussions are reflected in diminished global growth, thus reducing growth prospects in the US as well, while contributing to rising anti-US and anti-EU sentiments in Russia.

As the oil prices continue to remain low and as the Fed prepares to hike the interest rates in the fall, emerging economies that are reliant on oil and gas, such as Russia, are likely to take the heaviest hit.

There are real disagreements between US and Russia, and Russia and EU. But sanctions will only amplify these differences, not reduce them. Shouldn't the ultimate objective be to foster economic growth and minimise geopolitical friction?

About the Author



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JOB

CAREERING OFF TRACK: THE NEW WORLD OF WORK

BY ADRIAN FURNHAM

Today, the idea of a 'job for life' is, for many people, neither posssible nor desirable. The concept of the career has, and will continue to change. The old career contract with the organisation is less relevant, the new contract is with oneself – individuals will need to take an active role in steering their own ship and plotting their own course. This is the new age of self-reliant careers.

Once upon a time, or so it seemed, ability, loyalty and long service were rewarded by a steady climb up the corporate ladder. The speed and end-point in the career were defined only by ability and service (and perhaps a bit of politics).

Today, the idea of a 'job for life' is, for many people, neither posssible nor desirable. In many European countries, about one-third to one-half of the workforce are in temporary or self-employment. There is now a cohort of young people, aged 30 years and under, who expect and look forward to building up a *portfolio of jobs* in different companies. They are content to give 5 to 8 years' loyal and enthusiastic service to a variety of possibly widely different companies so as to increase their experience and competence.

For many people, this new approach to a working life is exciting rather than worrying. It has been estimated that people used to have about 100 000 working hours over a 47-year working period to pursue a career. Now 47 years has shrunk to 30, with many retiring at 50 and thinking of a 'second career'. Whereas some older people perceive this as a threat, many younger people interpret it as a major opportunity – with change comes growth and opportunity, in their opinion.

Employment has changed and so have careers. The way people approached a career was characterised by many different strategies:

Drifters seemed rather directionless and unambitious. Some seemed not to be able to hold down a job for any period of time, but they had to be flexible and adaptable as they took on new jobs every so often. Drifters could be seen by some people to be capricious, fickle, or even reckless. More positively, they are adventurous and experimental.

Lifers are the opposite of drifters – the lifer's first job is their last. Although they might not have chosen their first job judiciously, or with foresight, they settled down for life. Although this may be an excellent strategy if one is in a company on the move, it is more likely to be a trade-off of high risk/gain over security. Further, downsizing and restructuring has left them not very employable. Lifers are loyal, but they are risk-averse, and liable to be alienated as performance management systems replace seniority-based or service ideologies

Hoppers look like snakes and ladders experts. They seem to go up short ladders quite fast, perhaps in small companies or departments, but slide down slippery snakes as they change jobs in the search for

There is now a cohort of young people, aged 30 years and under, who expect and look forward to building up a portfolio of jobs in different companies.

betterment. They lack the long-term vision of the planner, who has the whole journey mapped out. They may have made job move decisions too quickly, based on too little data

Planners have clear targets, sometimes over-ambitiously fantasised. They can articulate where they want to be at the big milestones of life (aged 40, 55 or 60). They may even cultivate head-hunters, apply (whimsically) for jobs on a regular basis, and update their CVs quarterly. Planners are committed to their career development. They understand the modern world of portfolio management.

Hobbyists are masters of this final strategy. Some are SOBOs – Shoved Out, but Better Off – but many, often in their 40s, become concerned with self-development. They echo the observation of a priest, who for years counselled the dying, heard their confessions and their regrets; no one said that they wished they had spent more time in the office. The hobbyist may take early retirement, turn to consultancy, or simply define quality of life as more important than the rat race. This makes them interesting people, but not always deeply committed to the company's interest. Work is a hobby for these people.

Those who have studied jobs, careers and the world of work have long argued that it is misleading to believe that permanent jobs are good and temporary jobs are bad, or vice versa. It has been suggested that good jobs are characterised by quite specific factors that include:

1. Control: some opportunity to decide and act in one's chosen way, and the potential to predict the consequences of one's actions. Being given limited control, such as the offer of flexi-time, is very desirable.

2. Skill use: jobs that allow people to practise learnt skills and acquire new ones are desirable. Job change often involves the necessity of skill acquisition, which, in the long run, is very desirable.

3. Clear goals and feedback on performance: being given or, better still, helping to decide clear goals is always desirable. More attractive still is being given regular, honest feedback on one's performance. Increasingly, portfolio jobs are being set up, which have the requirement that employees give and get regular and explicit feedback on their performance.

4. Variety: tedious, monotonous tasks are a thing of the past. Indeed, many temporary jobs are characterised by novelty, both of task and location. Of course, too much variety can be stressful, and lead to burn-out, but too little leads to 'rust-out', which is probably worse.

Money is a powerful short-term reward only, and is more likely to be a source of dissatisfaction than satisfaction.

5. Contact: all jobs provide the opportunity for interpersonal contact with others, be they fellow employees, customers or even shareholders. Contact provides the opportunity to make friends and reduce loneliness. It allows people to provide emotional, informational and financial support to each other. And it allows for social comparisons, an opportunity to compare themselves with others, to interpret and appraise themselves.

6. Valued social position: this is not only about job title but the value attached by society at large to the role and the contribution made. Jobs can boost self- and social esteem – and undermine it. Jobs provide public evidence that a person has certain abilities, conforms to particular norms and meets social obligations.

7. Security: there are many types of security, the most basic of which is physical security. Temporary jobs frequently supply security of tenure over a specified period. Indeed, paradoxically, the nature of the legal contract of many temporary jobs actually makes employees more secure (for a specified period) than those on longer and vaguer contracts.

8. Money and reward: some permanent jobs are very badly paid, as are temporary jobs. Money is a powerful short-term reward only, and is more likely to be a source of dissatisfaction than satisfaction. Some temporary jobs are, in fact, well paid because of the expectation of unemployment (for example, pilots).

In some sense all the above can be broken down into two very different factors:

Intrinsic: you choose a job because you love the work; it is your passion; where your abilities and values and gifts are best expressed; where you are happy and content; when you experience flow, contentment, even joy

Extrinsic: where the rewards are high and where you are prepared to do difficult, demanding and even dangerous work because the (usually monetary) rewards are high. In this sense you are happy with a trade-off: you trade off some aspect of ease and satisfaction for a cocktail package of rewards that are important to you

Who exactly is responsible for one's career or, more likely, careers? Three groups have specific responsibilities for an individual's career development.

First, *the organisation* itself should provide training and developmental opportunities where possible. Courses, sabbaticals, job shares and shadowing experiences, for instance, all help. They need to provide realistic and up-to-date career information and, where necessary, outplacement services. Indeed, these may

become more and more important reasons why people would choose to work for any particular organisation.

Second, *line managers*, too, have responsibilities. They need to provide high-quality and timely feedback on performance so that staff gets to appraise themselves realistically. They need to have regular, expectation-managing discussions and support their reports in their action plans. Again, where possible, they need to offer developmental assignments where they can acquire new skills. Honest feedback and opportunities to develop new skills are the best things any manager can do for his/her employees, permanent or temporary.

Third, *individuals themselves* must accept responsibility for their own career. They cannot expect to remain passive. Individuals must seek out information on careers within and without the organisation; they must initiate talks with their managers about careers and be prepared to invest in assessing their strengths and weaknesses. They need to be prepared to take up development opportunities even if they are outside their particular comfort zone.

We all make our beds and then we lie in them. *Fatalists* believe that the success of their working life is dependent on powerful forces – the international economy, politicians, God, the lottery and pure chance. *Instrumentalists* know that we can all be captain of our ship and master of our fate. The fact that we may all now have nine (working) lives, rather than one, presents much greater opportunities for growth, development and upward mobility.

The concept of the career has, and will continue to change. Certainly, the long-service-in-one-organisation career is on the decline. The old career contract with the organisation is less relevant, the new contract is with oneself. The ability to have multiple careers, probably a better way of working than the temporary career, means that people will have to learn new skills and reinvent themselves. We shall all need to be more feedback-seeking and more eager to learn from others. If you don't know where you want to go, you will certainly end up somewhere you don't want to be. Chosen jobs need to fit ability and values, and a sense of identity. The use of support and affinity groups, networks and adult learning centres, is one of the best sources of help in personal career development. We shall all need to learn how to plan and develop our working careers in the future.

Paradoxically, learning from experience seems to be more critical than ever, yet past experience has less relevance to current experience, because of the speed of change. In the new world of self-reliant careers, it will be essential for individuals to take an active role in steering their own ship and plotting their own course. Compared with the past, there will need to be a higher degree of learning by oneself, of communicating with others, interdisciplinary work, working in groups and solving personal problems.

PERSONAL IDENTITY AND VALUES, AND INTERPERSONAL FACTORS ARE BECOMING MORE IMPORTANT IN SHAPING CAREER DIRECTIONS AND REWARDS.

Personal initiative is more and more rewarded. Self-starters, the proactive and the persistent will inherit the earth.

Organisational factors are becoming less important in determining individual career outcomes – personal identity and values, and interpersonal factors are becoming more important in shaping career directions and rewards.

Non-traditional careers will soon become traditional. The flexibility of opportunity structures and labour markets is growing. Organisations are preparing for the new and different needs of the new careerists. Both the formal employment contract drawn up by companies and the psychological contract that temporary employees have with the organisation are being rethought and redrawn. There is no going back. We are all careering in a new direction.

About the Author

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STRATEGISING TO WIN ON THE GLOBAL PLAYING FIELD: Making real strategic choices in people operations

BY BART TKACZYK

Attract the best people. Own shares either in good ships, or in none at all. Make your ship attractive, then good people will join it and it will be well manned. – from *The Vikings' Guide to Good Business: On How to Do Business Overseas and Succeed* (translated from the original 13th-century text by Bernard Scudder).

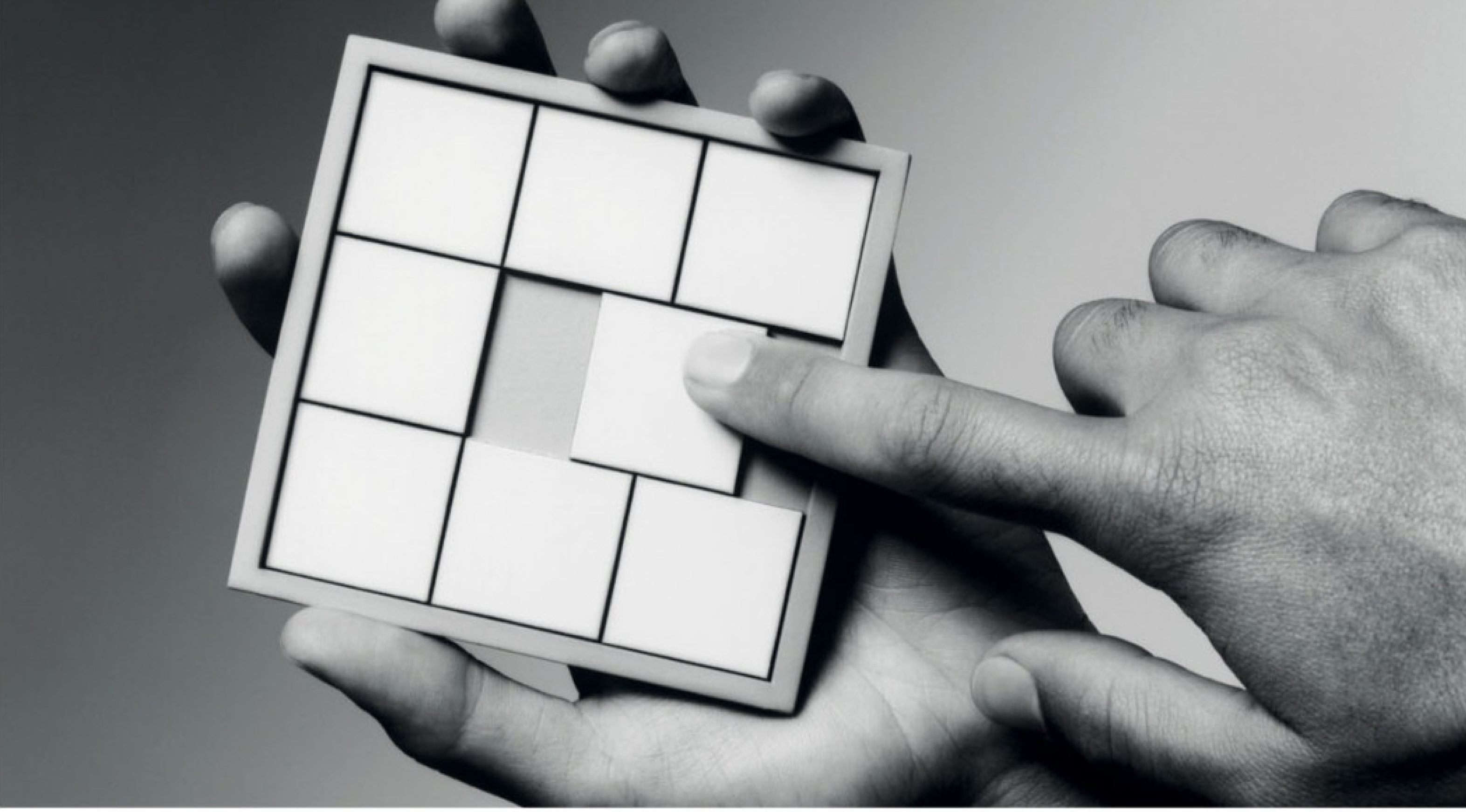
Strategising is as messy as it is energising, as dissatisfying as it is fulfilling, as a creative process as it is a rational, rigorous and scientific one.

This article champions three integrated sets of strategic choices for multinational corporations (MNCs) to consider when crafting a choiceful People Operations strategy to win against their very best competitors – internationally. Specifically, they are: resourcing and staffing for overseas operations (Choice Set 1), managing diverse talent (Choice Set 2), and coordinating mechanisms (Choice Set 3). These choices must be connected to other strategic choices in the firm.

STRATEGY IS CHOICE

There is no such thing as a perfect strategy. Nor does it guarantee that intended outcomes will be achieved. In general, strategising is as messy as it is energising, as dissatisfying as it is fulfilling, as a creative process as it is a rational, rigorous and scientific one. While this is true for many domestic organisations, there are even more sensitive dichotomies and complex dilemmas with which multinational corporations (MNCs) need to wrestle, e.g. "Globalisation vs. Embeddedness", "Convergence/Integration/Synergies vs. Divergence/Differentiation/National Distinctiveness", "Structures" (Virtual Enterprise vs. Co-location vs. Satellite Labs vs. Independent Agents vs. Licensing Arrangements vs. Branch Offices vs. Strategic Alliances vs. International Joint Ventures vs. Foreign Direct Investment), "Standardisation vs. Segmentation", "Cultures vs. Institutions", "Neutrality vs. Affectivity", "Indulgence vs. Restraint", "Individual Recognition vs. Group Rewards", "Achievement vs. Ascription", "Possibilities/Resources vs. Constraints/Barriers", "Collaboration vs. Competition and Power Struggles" (Edwards & Rees, 2011). Instead of pretending that they do not come about, it is critical to recognise these tensions – and confront them head on, identifying what they are, and how they can be strategically managed.

Strategy is a developing area, and there is little consensus on the definition of what exactly constitutes strategy. Further, companies often confuse "operational effectiveness" or management methods as a continuous process improvement (CPI) or a total quality management (TQM) - which is imperative but is not enough or do not necessarily indicate superior or sustainable profitability – with "strategy". According to Michael Porter, a leading strategy thinker, "operational effectiveness" is about "performing similar activities *better* than rivals perform them" (Porter, 1996, p. 62) – this often includes efficiency, reducing waste



(Lean) or defects in products (Six Sigma), or producing them faster (it was the Japanese who sparked a global shake-up in operational effectiveness in the 1970s and 1980s), whereas "strategic thinking" means "performing *different* activities from rivals" or "performing similar activities in *different* ways" (Porter, 1996, p. 62). This article adopts Porter's classic definition of strategy which explains that a. Strategy is the creation of a unique and valuable position, involving a different set of activities, b. Strategy requires you to make trade-offs in competing – to choose what *not* to do, and c. Strategy involves creating "fit" among a company's activities (Porter, 1996). Accordingly, strategising is all about making real strategic choices, to explicitly choose what to do, as well as to choose what not to do, and developing an organisation around these hard choices – which is to create value. In point of fact, for A.G. Lafley, former CEO of P&G and Roger Martin, former Dean of the Rotman School of Management (Lafley & Martin, 2013), strategy is the answer to the five questions [by way of illustration, example answers from a fictional strategic advisory firm are given in brackets]:

1. *What is our winning aspiration?* [e.g. We exist to mobilise executives and aim to be the strategic advisor of choice for CEOs and business leaders in the Middle East.]
2. *Where will we play?* [e.g. Strategic advisory services to the C-suite in Bahrain, Kuwait, Qatar, Saudi Arabia, and the UAE.]
3. *How will we win where we have chosen to play?* [e.g. We will try to understand our clients' needs and expectations deeply by means of high-quality, strategic collaboration, cutting-edge approaches including ethnographic and neuroscientific research methods, and, therefore, offer services to our clients, delight, and "shield" them vigorously from competitors. We will *not* constantly drive costs down.]
4. *What capabilities must be in place to win?* [e.g. Valuable and agile Human Resources, embracing diversity in all forms, research-based practice, constant learning and development (L&D), boutique relationships, a business model which mixes consulting and investing.]
5. *What management systems are required to ensure the capabilities are in place?* [e.g. Global talent management strategy, diversity management strategy, proactive recruitment channels, knowledge management information system, integrated talent development strategy, 70-20-10 learning framework, corporate "evangelisation" program, authorised distributors and strategic partnerships, investment appraisal and transaction execution system.]

Strategising is all about making real strategic choices, to explicitly choose what to do, as well as to choose what not to do, and developing an organisation around these hard choices – which is to create value.

PLAYING TO WIN RATHER THAN PLAYING TO PLAY:

3 Strategic Choice Sets for People Operations on the Global Playing Field

Leaders go all out to craft the game-changing formula for their enterprises to win against their very best competitors, internationally. Although People

Operations (you probably know it better as "Human Resources") are not the basis of all business activity, People Operations are the basis of all management activity. Therefore, when playing to win, rather than playing to play, on the global playing field, enterprises should make real strategic choices when it comes to international people operations.

My purpose here is to propose the Strategic People Operations Triangle (SPOT), specifically, three integrated sets of strategic choices for multinational companies (MNCs) to consider when crafting a People Operations strategy, a choiceful management system framework mixing strategically: Resourcing and staffing for overseas operations (Choice Set 1), Managing diverse talent (Choice Set 2), and Coordinating mechanisms (Choice Set 3). Before anything else, it is practical to consider strategic choices on two strata: they are either "make-or-break" choices (they play a part in supporting the organisation's economic viability) or they account for ongoing enterprise performance differentiation. Also, these choices must be connected to other strategic ones in the firm like Talent Development, and so on. The following section illustrates the strategic choice-making (for quick reference, every strategic Choice Set is also accompanied by an explainer Table).

When playing to win, rather than playing to play, on the global playing field, enterprises should make real strategic choices when it comes to international people operations.

Choice Set 1: Resourcing - Staffing an Overseas Operation

When companies fix on going international (which is a key choice itself, i.e. "stay domestic" vs. "go international"), they need to have highly selective recruitment to decide on whom to appoint to manage their operations, plants or other units outside of the "parent country". There are at least five strategic staffing choices for an overseas operation, i.e. the

TABLE 1. International Staffing Patterns

Ethnocentric	Polycentric	Hybrid	Regiocentric	Cosmopolitan
+ Leaders are familiar with the organisational culture, shared values, attitudes, products and procedures.	+ Local leaders are familiar with the national culture, language, local laws, collective bargaining, social security system, networking, nuances of local business practices and customer needs. E.g. this might also better stimulate "reverse innovation", i.e. creating far from home to win everywhere (Govindarajan & Trimble, 2012).	+ Leaders will find it easier to become culturally assimilated for they usually belong to two worlds, are more comfortable with both, plus are often bilingual already.	+ Leaders from various countries within the geographic regions of business are utilised (e.g. nationals of Eastern European countries, or nationals of the Middle East countries) - specific groupings of country operations to reflect areas of similarity.	+ Management progressively becomes internationalised with a shared cosmopolitan attitude.
- It does not utilise human capital assets maximally and scales down promotion possibilities for locals (a limited pool of candidates are engaged. It may mean that the best available leader who is a local is not even considered).	- An immediate challenge to coordinating activities (e.g. centralisation slowed down), and to developing guidelines for making decisions ethically in ambiguous situations (e.g. will the local CEO in Bangalore, Frankfurt, Guangzhou, Oslo, Moscow, Toronto, Qatar, Warsaw or Zurich have the same view on "sweeteners", "gifts", "perks", "influence", "favours", "special consulting fees", "corruption"?	- "Parent" country nationals who are of "host" country ancestry return "home" and are much different now. They might not fit back into their old niche. They have one foot in each of the two lives/worlds even more - the one they used to be a part of before the assignment and the one they now belong to as a result of their change and growth.	- Corporate HQ may not be able to hire enough managers with international experience.	- Typically, this applies to large transnationals who operate globally and who can attract best talent.

"ethnocentric" way (filling key positions with executives who are "parent" country nationals), the "polycentric" approach (hiring extremely good individuals who are "host" country nationals), the "hybrid" way (filling key positions with managers from the "host" country who are also of "parent" country ancestry, or "parent" country nationals who are of "host" country ancestry), the "regiocentric" way (selecting management personnel from within a region of the world which most closely resembles that of the "host" country) or the "cosmopolitan" way (appointing senior leaders from a "third' country", i.e. the most appropriate managers used who are based literally anywhere and happy to re-locate). These five approaches accompanied by some examples of advantages (+) and disadvantages (-) are summarised in the **Table 1** I developed (partly based on Deresky & Christopher, 2012) for the purpose of teaching "Global Talent Management", a course in a European MBA program.

Choice Set 2: Managing Diverse Talent

Globalisation and demographic change are making the workforce even more diverse. Therefore, it is critical for enterprises to develop equality and diversity to attract and retain talent to improve business performance and sustained competitive advantage.

The essence of much HR work is to actually discriminate between people *fairly*, but not *unfairly!* For instance, let's take compensating human resources. Whenever one person is given a pay raise and another is not, the enterprise has decided to distinguish one person from another. As long as the basis for consistent and objective discrimination is purely job related (made, for example, on the basis of performance ratings, tests or 360-degree appraisals), the action is legal and appropriate. Problems begin when distinctions between employees are not job related, but are based on prejudice about classes of individuals. In such cases, the discrimination is illegal and inappropriate.

The essence of equality is to avoid *unfair* discrimination in the workplace. There are two main approaches to equality: Equal Opportunities (EO) and Diversity Management (DM). The former approach emphasises equality of opportunity rather than equality of outcome, and seeks to control behaviour through legislation. Yet, legislation does not protect all minority groups, may not change cultures or, even worse, it can alienate large sections of staff. The latter strategy, although slow to materialise and more complex to interpret and execute, concentrates on individuals rather than groups, and, thus, separate groups are not singled out. Unlike the EO approach, the DM approach highlights the economic and business case (See **Table 2** on the previous page, which I developed for an MBA module in Strategic HRM; it captures the differences between the two approaches in detail).

TABLE 2. Equal Opportunities (EQ) vs. Diversity Management (DM)

Issues	Equal Opportunities (EO)	Diversity Management (DM)
Aspiration	Prevent discrimination	Maximise employee potential/ human capital assets/talent
Case	Moral/Legislative case	Business/Economic case (Competitiveness/Profitability)
Approach	Operational/"Sameness"/ In isolation/	Strategic/"Talent"/Interactive/ Integrated and effectively aligned with broader business strategies plus with business excellence models and programs as Investors in People or TQM
Structures and Systems	Formal/Bureaucratic/ Centralised/Atomistic	Organic/Networks/Devolved/ Holistic
Communication	Prescribe ideas/Top-down	Consult people for ideas and Involve/Multiple Sources
Authority, Roles and Relationships	"Command and Control"/ Formal/Officers/Providers	"Energise and Collaborate"/Flexible/Partners/DM champions
Control systems	External controls	Self-control
Psychological contract	Compliance	Commitment
Corporate character	Disciplinary	CSR/Dignity at work
Workplace behaviour	Compliant	Culture/Values-driven
Employee relations (ER)	Low trust	High trust
Responsibility	HR function	All (managers)
Focus on	(Disadvantaged/Minority) Groups	Every individual (Employees, customers, clients)
Advantage	Benefits for disadvantaged groups	Benefits for every staff member
Time and planning orientation	Separate/One-off initiatives	Continuous process/Long-term
Specific HRD practices and interventions	Centralised/ Formal Training/ Standard EO programs	Synthesised/Social and Experiential Learning/Career Management and Development (CMD), Continuing Professional Development (CPD), Management Training and Development (MDT)
Management activities	Recruitment	Managing/DM and TM Strategising
Key	Systems Change	Cultural Change
Success Metrics	Changed processes	Business results/ROI

TABLE 3. Four Strategic Approaches to Coordination

"American" Formalisation	"European" Socialisation	"Japanese" Centralisation	Universal "Evangelisation"
Coordination through formalisation.	Coordination through socialisation.	Coordination through centralisation.	Coordination through "evangelisation".
Institutionalisation of systems and procedures to guide choices.	Building and sustaining links with colleagues is key as decisions are arrived at by negotiations.	Substantive decision making by senior management in HQ.	Getting a buy-in to a winning aspiration and shared purpose across the firm ("winning hearts and minds").
Delegating and holding people accountable via advanced management and e-control systems.	Dependence on trusted employees who are familiar with the company's objectives and systems.	HQ believes that a *Gaijin-no kata* ("foreign person") is not familiar with doing business the Japanese Way, Japanese etiquette, ethics, morals, values, and critical terms as: *Ba* ("Shared context and dynamic space where new meanings get created via interactions"), *Tate Shakai no Ningen Kankei* ("Human relations in a vertical society"), or *Wa* ("Peace and harmony").	It works through storytelling and shared belief. Corporate "ambassadors", "evangelists", "apostles" are sent out to "spread the good word to the world". To energise the workplace, they habitually use parables.

Importantly, everybody is a unique person. Although we have things in common with each other, we do differ in many ways too. Distinctions comprise, for example, personal qualities as background, character, work-style, culture, personality, perceptions, language and accent. Diversity should embody inclusion. Hence, to strategically capitalise on human capital assets fully, real inclusion should go beyond the so-called "protected characteristics", e.g. gender reassignment, sexual orientation, pregnancy and maternity, or religion and belief. It should be about bringing in people from across sectors, cultures, experiences, demographics, generations, intelligences, insights, relationships, and backgrounds.

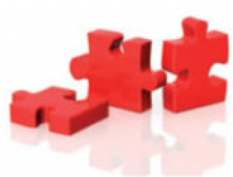
In fact, nurturing a culture of diversity and organisational integrative thinking where opposing ideas grate up against each other, is an essential factor in innovation execution (conflict may be key to team cohesion too). This fosters "creative abrasion", i.e, diversity in thinking style, a term by Jerry Hirshberg, founder and president of Nissan Design International, that explains a dynamic culture where ideas are creatively and constructively challenged. Therefore, to make innovation happen, you must staff, collaborate with, and promote people who are unlike you. Steve Jobs forever advocated "creative abrasion" in the workplace. For example, when working on the Apple Mac initiative, he assembled a dedicated team of individuals who were intentionally diverse and who were able to simultaneously hold opposing models in mind, while still being able to operate. He engaged poetry writers, performers, historians, designers who also happened to be extremely smart engineers. In doing so, he formed a strategic partnership where choicefulness, opposing cognitive biases, unorthodox problem-solving ways, learning and diversity in thinking styles mixed successfully and were the norm (On choicefulness and integrative thinking, see Martin, 2009, and Moldoveanu & Martin, 2010).

The bottom line is, managing diversity means valuing every person as an individual – valuing people as employees, customers and clients.

Choice Set 3: Coordinating mechanisms

Leaders should energise a diversity of local activities to relate to the local environment. By contrast, their global strategising calls for coordination as the way to interaction and cooperation of the global and the local together so as to produce a combined effect greater than the sum of their separate effects. There are at least four strategic approaches to coordination, conventionalised as: "American" Formalisation, "European" Socialisation, "Japanese" Centralisation, and Universal "Evangelisation". For some characteristics, see **Table 3** which I developed

Nurturing a culture of diversity and organisational integrative thinking where opposing ideas grate up against each other, is an essential factor in innovation execution.

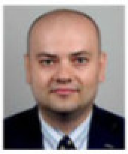


(partly based on Bartlett & Ghoshal, 2002) for the purpose of teaching a "Global Talent Management" course in one European MBA program. Also, go to **Sidebar 1** for a Mini Case Study on how "national cultures" impact human behaviour and management practices.

IN CLOSING

Singly, these instances of strategic choice sets and People Operations management systems may not prove a great deal. Taken together and effectively aligned with the broader business and organisational strategies, however, these choices are inevitably connected to the enterprises' performance and competitiveness, and will increase the odds of success. As People Operations strategy is too important to leave to chance, it is the global leader's principal role to craft it, which combines rigor, as well as creativity. To strategise to win, multinational companies (MNCs) should have a choiceful People Operations strategy in place.

About the Author



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SIDEBAR 1. Mini Case Study: National Cultures and Management Practices

Purpose:
To Familiarise managers with different National Culture Dimensions such as "Power Distance" or "Uncertainty Avoidance", based on Geert Hofstede's research. When teaching a "Global Talent Management" module in a European MBA program that routinely attracts students from: Belgium, Germany, France, Ireland, Spain, Poland, and South Korea, among others, the author likes to give his MBA students the following brainteaser to puzzle out:

The Scenario:
Imagine that you are a leading manufacturer of pumps and related fluid-handling equipment somewhere in Central Europe. The plant is led by the President to whom 7 managers report: the Finance Manager, the People Operations Manager, the Marketing and Sales Manager, the Corporate Engineering and Quality Assurance Manager, the Market Planning Manager, the Product Development Manager, and, finally, the Manufacturing Manager. You're just about to develop a new product, but the "Product Development Manager" and "Corporate Engineering and Quality Assurance Manager" are coming into conflict with each other - nonstop! And they do not seem to be able to hammer out any agreement.

Task:
(1) Individually, based on the limited information above, give a diagnosis - re, who has the power to decide what to do now.
(2) Propose some practical solution(s).

Students' Answers:
- Belgian, French, Polish, South Korean and Spanish MBA students tend to diagnose the problem as negligence by the President to whom the mangers in conflict report. The solution they tend to propose is for the managers in conflict to take the problem to the President, who will then decide what to do next.
- German students have a tendency to diagnose the problem as unclear job descriptions, organisational structures and relationships between the two managers in conflict. The solution they are likely to propose is to clarify the organisational chart and relationships, job descriptions and procedures in order to reduce the apparent conflict, and, perhaps, implement standardisation. Some like to add it could be that hiring a consultant might help, too.
- Irish students will diagnose the problem as a people skills problem. The solution they propose will be sending both managers on an effective executive education program to develop their negotiations, communication, coaching and people skills.

Possible Interpretation:
According to research by Geert Hofstede (geert-hofstede.com), national culture is "the collective mental programming that distinguishes one nation from another". By way of illustration, the implicit form of organisation for Belgium, France, Poland, South Korea and Spain is a "pyramid of people", i.e. fairly high on "power distance" (heavy reliance on hierarchy and clear orders from superiors) and high on "uncertainty avoidance" (ambiguity brings extra anxiety, and, thus, there's a strong need for directives from senior leaders). For Germany, it is a "well-oiled machine", i.e. fairly low on "power distance" and fairly high on "uncertainty avoidance", consequently, intervention by top management should be limited because clear procedures and structures will "attack" the problem. For Ireland, it is a "village market", i.e. low on "power distance" (decision-making is decentralised, and, thus, informal communication will be more situationally appropriate than hierarchisation) and low on "uncertainty avoidance" (innovative, imaginative and ad hoc solutions will be appreciated) - here, many problems turn out to be human relations issues.

SOLVING MARKETING'S INVENTORY CRISIS

BY PAUL F. NUNES AND JOSHUA BELLIN

Just-in-time manufacturing was adopted shortly after World War II to save companies from drowning in excess inventory as they attempted to capture the benefits of scale while serving too few customers. Marketing organisations can get their own surplus production problems under control today by embracing an analogous approach: just-in-time marketing.

No business is so profitable it can't be destroyed by bad inventory management. Which is why today's shorter product lifecycles and rapid technological obsolescence call for even better demand forecasting tools and flexible manufacturing approaches.

But companies also create a great deal of intangible, virtual inventory that puts their overall profitability at risk – that is, when they produce excess marketing.

Just like physical inventory that risks spoiling or becoming obsolete while stacked in a warehouse, excess marketing inventory – product information and vague brand preferences that sit in customers' minds – yields few long-term returns. Accenture's Global Consumer Pulse Research has found that consumers are less influenced by branding campaigns than ever before, for example. (See Figure 1, "Recognising Marketing's Inventory Problem.")

In theory, marketers now have cutting-edge digital tools at their disposal to help them better manage waste and excess spending. And yet most companies still overproduce marketing that underperforms. There are two chief reasons for this ongoing problem.

First, marketers continue to prioritise broadcast methods like television, radio and print that push messages towards broad swaths of consumers. Consider, for example, that in 2014 the growth in television ad spending still exceeded the growth in spending on digital video ads (those that appear on computers, mobile phones and tablets). The chief marketing officer of a US auto insurer likens the trend to an "arms race in advertising spend." However, most broadcast ads will fall on deaf ears (or unseeing eyes) – wasted inventory from the standpoint of the marketing connection being created at a cost, but going undesired and unused.

Second, most companies still treat digital marketing as a slightly better version of a broadcast medium. This can be seen in the shockingly low click-through rates for online advertising: according to research by Google's DoubleClick, consumers click on only 0.1 percent of all online ads. Marketers are not yet meeting the promise of targeted, personalised, interactive advertising.

How can marketing departments solve their inventory crisis? Clearly, it's unreasonable to expect companies to jettison every mass marketing technique and instead invest only in tailored and targeted interactions with current or potential customers.

But marketing leaders can get control of their excessive production by applying the thinking behind

Excess marketing inventory – product information and vague brand preferences that sit in customers' minds – yields few long-term returns.

Figure 1: Recognizing Marketing's Inventory Problem

Excess inventory isn't just a problem for manufacturers. Marketing leaders need to understand how they can stop overproducing brand awareness and reach customers more cost effectively.

	Physical inventory	Marketing inventory
What it's made up of...	Unused raw materials and parts, and unsold goods	Unnecessary brand awareness and product preferences stored in consumer's minds
What it's caused by...	Overproduction and inability to quickly respond to shifting demand	Reaching consumers who won't ever become customers
Why it leads to lower profits...	Avoidable storage and depreciation charges	Unnecessary marketing production and execution expenses
Why it leads to loss of long-term value...	Product obsolescence, especially due to accelerating technology obsolescence	Customer brand and product knowledge obsolescence, especially due to shrinking product lifecycles and accelerating purchase cycles

 1

the approach used by manufacturers in the wake of the Second World War.

The Just-in-Time Marketing Factory

In the post-World War II ramp-up of mass manufacturing, many companies relied on designing products for broad appeal, long-term planning, and overproducing – all in the service of achieving economies of scale. The result was a constant stream of excess inventory. This led to increased waste, reduced flexibility in responding to shifting demand, and a high level of product defects as companies hesitated to slow production.

Starting with Toyota in post-war Japan, many manufacturing organisations boosted quality and reduced waste by adopting a just-in-time (JIT) approach: produce only what the customer demands, at the right time, to the specifications and quality that the customer requires.

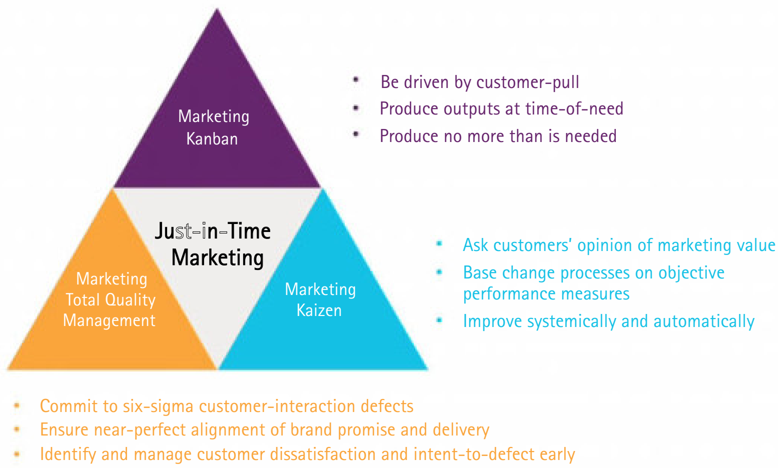
Manufacturers became JIT organisations through three related methods, each of which holds a lesson for how marketers can stem the tide of marketing inventory: kanban, kaizen, and total quality management (TQM). These methods enable companies to create only what the market actually requires, with little waste and fewer defects.

- Kanban refers to a set of procedures used on JIT factory floors that ensure production at every stage is calibrated to demand at the next stage, all "pulled" from customer demand.
- Kaizen refers to an organisational mindset where everyone – from executives down to assembly-line workers, are continuously improving processes and practices to eliminate waste and enhance quality; improvements are studied and adopted based on small-scale innovations.
- Total quality management refers to a firm-wide commitment to stopping defects early in the process, ensuring that no manufacturing defects make it through to the next stage of production – let alone to the end customer where they are increasingly costly to fix.

To solve their own inventory problem, effective marketers are now adopting the mantra of JIT manufacturers: produce only the marketing that's required, at the time that it's needed, with the exact message or offer that will convert a sale. Our research and recent experiences with clients suggest that those three JIT principles are beginning to underpin successful marketing organisations, and will continue to do so in the coming years – especially as companies increasingly shift toward a digital focus in their marketing. (See Figure 2, "Principles of Just-in-Time Marketing.")

Figure 2: Principles of Just-in-Time Marketing

When marketing organisations apply the three just-in-time principles, they can achieve what industrial companies enjoyed with JIT manufacturing: less waste, better processes, and higher-quality output. The overall result: a much higher return on marketing investments.



Apply Kanban to Achieve Targeted Pull

Using Kanban methods, leading marketers are creating pull, primarily with consumers who are already inclined to purchase in the product or service category. By doing so, they're able to significantly cut down on wasted time and effort.

Take, for example, Delta Airlines' approach to selling group travel. Delta could have launched a broad marketing campaign extolling the ease and value of group bookings on Delta. Instead, the airline provided select prospective group travelers with a tool which spread virally through social media – a popular Facebook application called "Away We Go" that the company launched in 2011.

The app addressed a pain point for group travelers: planning and booking trips – like "spring break" or family reunions – when destinations are up for discussion and the exact group of travelers hasn't yet been pinned down. The planning tool helped by adding structure to group decision making, allowing users to invite friends, keep track of who's coming, organise and share everyone's trip details, create a calendar of activities, and post comments on specific topics. And, while on the trip, users could share updates and photos with their broader network.

Most companies still treat digital marketing as a slightly better version of a broadcast medium.

Delta's application, which was accessible to every Facebook user, not only eased the pain of group travel planning – it also directly led to new flight bookings on Delta without an outsized marketing campaign.

Other companies are also discovering the benefits of a kanban approach. Cosmetics retailer Sephora maintains boards of pictures on Pinterest that show its staff's favourite beauty products. These "It Lists" attract consumers who, whether searching out or following these lists on the social media site, are looking to be inspired by pictures and discover new products.

Targeting this service at highly engaged consumers has been extremely effective. In fact, according to the company, Sephora's Pinterest followers spend 15 times more money on Sephora.com than the company's Facebook followers. The company's head of digital, Julie Bornstein, explained in an interview that "the reality is that when you're in the Pinterest mindset, you're actually interested in acquiring items."

Cultivate a Mindset of "Kaizen" For Continuous Marketing Improvement

Consider how car rental giant Hertz continuously improves its loyalty programm by refining its customer insights. These insights, put to use in all channels – whether an interaction occurs through call centre agents, counter terminals, handheld devices or the Hertz website – persuade customers to take up personalised offers at higher rates.

The company has improved its analytics system to the point where the accuracy of these offers continues to improve. Deals are suggested not only based on the profitability of the promotion, but also on a customer's record of taking certain kinds of promotions over others. A customer who would be qualified for a "buy one, get one free" deal may still receive a different – perhaps even less profitable – offer if, in the past, she had turned down similar entreaties. The company understands that a promotion can only be as profitable as a customer's willingness to take it – and an unwilling customer represents a wasted opportunity. That's why offers are continually calibrated to a customer's behaviour, in a way that all customer-facing channels can instantly use.

The benefits for customers are clear: in 2014, Hertz was chosen as the car rental favourite in a large survey on website TripAdvisor. It is also Zagat's top pick for Customer Loyalty Programm two years running, and has received the Flyertalk award, bestowed by one of the top frequent-flyer discussion forums.

> Achieving total quality in every customer interaction is one of the most effective marketing techniques in the digital age.

Hertz is not alone in its dedication to continuously refining marketing practices. Take flash sale e-commerce site Gilt. The company nets approximately 25 percent of its total sales from email clicks, which means that it is extremely interested in continually improving how emails are targeted to its members. The company sends out more than 2,500 automatically generated versions of its daily sale emails; more traditional retailers typically send about 50 versions of an email. Gilt has found that tailoring emails based on a user's input – for example, their interaction history and the user profiles they create – drives 30 to 50 times more revenue "lift" than emails that don't account for user feedback. And, targeting promotions based on a customer's shopping behaviours drives up to 20 times revenue lift as compared to generic emails.

Assure Total Quality Management of Customer Interactions

Any flawed customer interaction anywhere in the company is tantamount to a customer experience defect. Top marketers increasingly recognise that achieving total quality in every customer interaction is one of the most effective marketing techniques in the digital age.

Las Vegas-based Zappos.com, an online shoe and clothing shop, puts this idea into practice. Exceptional customer service is, in effect, the company's primary marketing function. It drives repeat purchases and word-of-mouth acclaim. Zappos maintains a well-recognised commitment to achieving what it calls "wow customer experiences." For example, unlike most businesses the company measures customer outcomes rather than call throughput at its call centres.

Zappos has built a trusted reputation that it could not have achieved through traditional marketing campaigns alone. In fact, the company's cultural commitment to total quality in customer interactions means that the retailer needs to spend relatively little on traditional broadcast marketing methods.

Similarly, web application company Basecamp considers its dedication to perfect customer interactions as the essence of its marketing. For years, the company had no formal marketing department at all. Co-founder and president Jason Fried explained his philosophy in an article in Inc. magazine: "Customer service is marketing. So is product quality. The phrasing of that error message, what you call that button, how you greet your customers – it's all marketing."

Putting JIT Marketing into Practice

Many marketing departments are not organised effectively to put these JIT principles into practice.

That's because they're often structured around the core activities of the old marketing model – advertising, promotions, and marketing research, to name three. It's difficult for such organisations to overcome the notion that each function has separate objectives; for example, that advertising should achieve reach; that promotion should convert sales; and that research should underpin the design of long-term marketing campaigns. This traditional approach becomes even more muddled when

digital efforts – with social media, for example – are offloaded to specialists in their own silo.

In a JIT marketing organisation, by contrast, these activities are inseparable. Through our analysis of Accenture's work with clients that are building interactive marketing organisations, we've seen that leading-edge companies are breaking old habits. They are reorganising their marketing either around distinct product and service categories – or, often better, around distinct customer segments whose interests and behaviours span categories. Then, to reduce costs and improve effectiveness, three pools of talent are supporting each of these marketing groups. In fact, some are finding these specialised skills so critical that they are organising these talent segments into more formal divisions.

The first talent segment is comprised of creatives and programmmers, tasked with designing messages and experiences that create targeted pull – in other words, applying kanban to marketing. Take Nike's Digital Sport division, a dedicated team of engineers, programmmers and marketers whose mission is to increasingly shift Nike's advertising into the digital realm, where it can attract customers to the brand through ongoing customer interactions – sometimes over social media, and sometimes through a new line of digital sports devices that log their user's performance data.

As CEO Mark Parker told Fortune Magazine, "Connecting used to be, 'Here's some product, and here's some advertising. We hope you like it.' Connecting today is a dialogue." As a result of Digital Sport's trailblazing efforts, Nike managed to reduce their "push" advertising in print and media by 40 percent over three years, even while the total advertising budget increased.

A second useful new talent segment is made up of data scientists who design platforms for real-time analytics and improved promotional targeting, making marketing kaizen a reality. Woolworths, the largest supermarket chain in Australia, grew such a team by acquiring a 50 percent stake in data analytics firm Quantium. The director of the company's multichannel strategy, who was also responsible for logistics, IT, and customer engagement, headed the expanded group.

That placed the analytics group not only at the centre of marketing, but at the centre of all the company's customer relationship efforts. As one analyst told Australian publication BRW, the resulting improvement to promotions that the group could now achieve "means better profits, more long-term relationships with customers and less wasted marketing."

The last segment we observe is made up of quality assurance specialists who ensure the consistency of customer interactions in the marketing, sales and service functions – in other words, the total quality of the customer experience. A team at a leading financial services giant, for example, uses technology provided by innovative startup Sprinklr to achieve high-quality interactions with customers over social media.

Surveys show that, for many companies, interacting over social media tends to be ad-hoc if not outright undisciplined. The Sprinklr platform, by contrast, allows the company to rigorously follow posts about their offerings in real time. It enables them to move conversations that begin on Facebook or Twitter into secure sales or support channels that retain the context and the continuity of the discussion. The result: improved customer loyalty, cost savings from call deflections, and revenue from new sales.

> Leading-edge companies are reorganising their marketing either around distinct product and service categories – or, often better, around distinct customer segments whose interests and behaviours span categories.

Not all marketing departments are ready to take this organisational plunge. Indeed, not every marketing department needs to – just yet. But those that have dramatically reduced their creation of marketing inventory are finding themselves more nimble than their competitors, and better able to change their marketing approach quickly. That gives them the opportunity to focus on their individual customers: how their preferences are changing, which channels they prefer, and how best to engage them.

Doing that at scale isn't easy, even with the best digital tools on the market. But, as manufacturers can tell you, it's been done before.

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Growth Principles from a Decade of Billion-Dollar 'Startups'

BY JOSEMARIA SIOTA AND LUIZ ZORZELLA

How did LinkedIn achieved a 35% revenue growth in 2015[1], after suffering media earthquakes in the previous months? Some of the principles they followed: maximise the learning speed, minimise the testing cost, combine analytical thinking with creativity, and a deep customer-centricity, will be discussed in this article.

Top tech giants have tackled risky media shaking experience over the last few months. Ranging from the criticisms directed at PayPal over the bitcoin scam[2], the protests against Amazon over the working conditions in their UK distribution centres[3] to the polemics between the best-selling music artist Tailor Swift and the way Spotify compensates the music industry[4]. Google has suffered the "Project Goliath" lobbying campaign denouncing their third-party information policies in US[5] and there have been complaints raised against Facebook and LinkedIn about content blocking in Russia and China[6 7]. Finally, there has been persistent media pressure against Zuckerberg about the workings of its WhatsApp acquisition8. In conclusion, these companies were immersed in volatile business atmosphere over many many months.

In contrast, although those top tech titans have different foundations dates between 1994 and 2009; six of seven have achieved billion-dollar in revenue milestone, and financial analysts foretell a 28% revenue growth on average during 2015 for the selected group.

This percentage follows their *stupendous rise in* revenue during the last ten years, as we see in the following chart, which includes the historical and predicted revenues in US$ millions from 2006 to 2015 for each organisation.

In summary, the selected tech titans group is going to achieve approximately 28% revenue growth in an extremely fast changing environment. But how is the group achieving those growth rates?

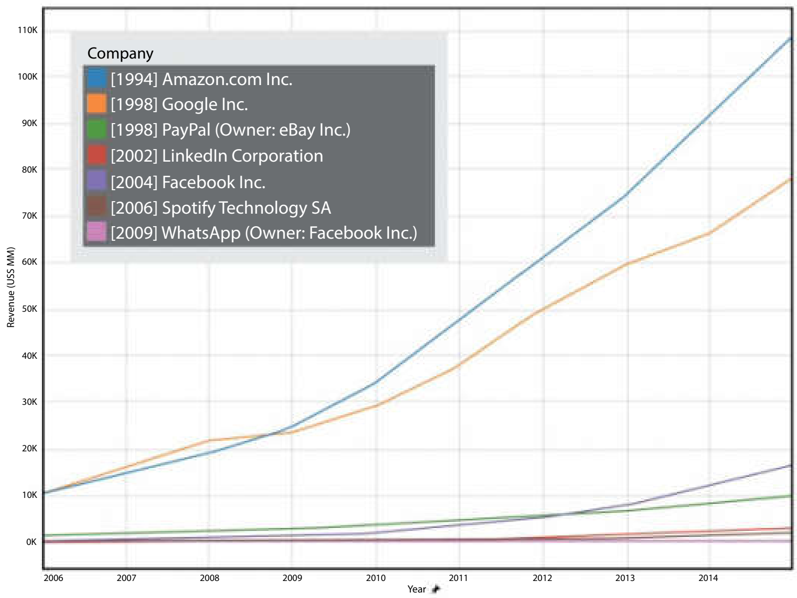
In the foreword of the McGraw-Hill book "Revenue Growth: Four Proven Strategies"[9], the Harvard Business School professor Thales Teixeira states:

"Long gone are the days of setting a long-term strategy and following it closely. Today's business environment requires that managers adapt and change their business models on an on-going basis. Fast-paced dynamics demand a constant need for firms to make changes to their strategies in order to achieve sustained revenue growth. But how can constant drastic changes in strategies be compatible with sustained growth?"

In other words, what could tech startups and growth companies learn from those billion-dollar giants in order to not only tackle their unpredictable business circumstances, but also grow at the same time?

To answer this question, the book authors propose a new actionable framework to sustain growth in tech companies in changing environments with scarce resources. The authors analysed 77 companies from 21 countries, reached 780 executives from 32 nationalities, from high growth companies such as Amazon, Facebook, Google, LinkedIn, PayPal, Spotify, WhatsApp, many others.

The proposed methodology is based on the three following principles applicable to four core areas: market, products, pricing and distribution channels.



Source: own creation with Tableau Software.

Note: the 28% revenue growth is the average of revenue growths of the selected seven organisations. Those percentages and the revenue chart are own calculations done with data and predictions coming from Bloomberg Businessweek, Orbis Database, Business Insider, TechCrunch, Money, Statista and websites of the selected companies. Additionally, for simplification, we have considered the analysis of WhatsApp and PayPal in the chart, as different companies during the period 2006-2015. However, Facebook acquired WhatsApp in 2014 and PayPal separated from eBay in 2015.

Executives really need to validate their business assumptions "out of the building and talking to customers".

Maximise your learning speed and minimise your testing cost. On average, tech startups die after ~20 months[10] from its last funding round because entrepreneurs don't usually have time and money enough to validate their business models, improve their assumptions and learn what works. Therefore they should prioritise learning and costs metrics: what the authors called a lean growth approach.

As Naman Agarwall, business development manager at Amazon India says in one of the book's interviews, "we should verify our hypothesis faster and improve our cyclical process of learning, hypothesis, test, and re- learning"[11].

"The key would be to discover the best way to do a fast validation". For example, "it is better to start with something smaller, test it and then scale it", states Katia Yakovleva, account director at Spotify Germany.

Use not only analytical thinking, but also creativity. No financial analyst predicted before the iPhone release that today would be "1.7 billion smartphones, increasing by a 20% growth rate" says Anurag Garodia, sales team lead at Google.

Therefore, executives should not drive their companies with just predicting the future with analytical thinking, but they should also be creating opportunities by combining analytical thinking with creativity.

Otherwise, just analysing past data, without testing new solutions, executives may "lose those growth opportunities", states Patty Cox, LinkedIn former global brand lead.

Never assume you are right, always ask customers. Empirically 3 of every 4 startups fail[12], 42% of those[10] failures can be ascribed to the gap between what entrepreneurs assume the market wants and what the market actually wants.

Thus, as Elies Campo, WhatsApp former business development executive says, executives really need to validate their business assumptions "out of the building and talking to customers"; in order to "test if you have a product you want to sell or a product customers want to buy, without waiting for the end of the product development", affirms Raimundo Sala, head of sales at PayPal Iberia.

Those validations could be done in many ways. For instance, "I would suggest listening to your customers, keep learning through conversations with customers that are talking to you through the data", affirms Dinesh Dheenathayalan, Asia-Pacific sales operations at Facebook Singapore.

In conclusion, tech startups and growth companies may learn from these big giants and growth leaders that in order to survive the current volatile business atmosphere, they should focus on learning metrics to check their business assumptions with customers, while combining the analytical-creative thinking.

For futher information on successful principles for growth in tech companies, visit www.revenuegrowth.info

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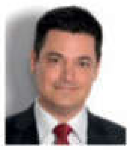

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Both authors published the McGraw-Hill book *"Revenue Growth: Four Proven Strategies"*, after reaching 780 executives from Amazon, Facebook, Google, LinkedIn, PayPal, Spotify and WhatsApp.

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How an Accelerator can Catalyse your Ecosystem

BY PEKKA SIVONEN, PAOLO BORELLA, LLEWELLYN D W THOMAS AND DMITRY SHARAPOV

Many industries from IT to car manufacturing, robotic and biotechnology, competition is moving from the product level to the ecosystem level. The creation of an ecosystem by a rival and the consequent shift to ecosystem competition can be quite challenging for product-focused incumbent organisations who may find that they have a challenge to establish the reputation and legitimacy of their own new ecosystem. This article discusses the ways and means an incumbent organisation can adopt and mobilise their own ecosystem.

In many industries, competition is moving from the product level to the ecosystem level. Consider the competition between the Apple and Google in the market for smartphones. A user's choice of smartphone depends not only on its technological features but also on the (largely third-party) apps that the phone allows the user to access and the deals offered by telecommunications carriers – on the ecosystems that have grown around the smartphones. Ecosystem competition is not limited to the information and telecommunications technology sectors. In diverse industries such as car manufacturing, robotics and biotechnology, managers increasingly need to know how ecosystems can be created and used to their firm's advantage and how to compete against the ecosystems of their rivals.

The momentum that ecosystem first-movers often attain means that there are adverse network effects working against subsequent efforts at ecosystem creation.

The creation of an ecosystem by a rival and the consequent shift to ecosystem competition can be quite challenging for product-focused incumbent organisations. The momentum that ecosystem first-movers often attain means that there are adverse network effects working against subsequent efforts at ecosystem creation, as first-movers reap the benefits of having a greater number of users. Furthermore, the expectations of customers and potential ecosystem members are often shaped by first-movers, meaning that any response that the incumbent attempts will be judged in comparison to the strengths of their rival's existing ecosystem and its established rules and structures, leading to difficulties establishing the reputation and legitimacy of a new ecosystem. Internally, the mindset of the incumbent organisation may be stuck in a product-centric logic, which is not conducive to understanding and tackling these challenges.

So how can incumbent organisations, threatened by a shift to ecosystem competition, mobilise their own ecosystem in response?

The good news is that there is a strategy that threatened incumbent organisations can adopt to mobilise their own ecosystem. As well as undertaking the well-known technology, pricing and marketing strategies that constitute ecosystem design,[1] ecosystems can be catalysed by using an "ecosystem accelerator" to attract, fund, accelerate, and launch startups as new ecosystem participants.

To illustrate how ecosystem accelerator programmes can catalyse an ecosystem, we use the example of AppCampus. AppCampus represented an explicit three year effort to mobilise an ecosystem around the Windows Phone platform that was a late entrant to a smartphone market dominated by the rival ecosystems of Google Android and Apple iOS. Although at the time of writing the Windows Phone ecosystem may not have taken off, AppCampus itself was a success. It received more than 4300 app ideas from over 100 countries and invested approximately €10 million in over 300 entrepreneurial teams, contributing to the creation of around 800 new jobs and helping these entrepreneurs attract investment from other sources. The apps produced by AppCampus teams were of significantly higher quality than the Windows Phone average, getting seven times more downloads, twice the revenue, and higher user ratings.

Ecosystem Accelerator Design

So how does a manager at a threatened incumbent design an ecosystem accelerator? An ecosystem accelerator consists of components that are common to other accelerators, such as TechStars and Y Combinator. There is a funding structure, a strategic focus, a programme package, a selection process, and alumni relations.[2] See the sidebar for insights on how the execute the strategy.

Funding structure

An ecosystem accelerator needs multiple sponsoring organisations, as being dependent on a single organisation that is only beginning to move away from a product-centered approach risks severe political and strategic constraints on the accelerator's ability to act for the benefit of the ecosystem as a whole. Furthermore, ecosystem mobilisation in the face of an existing rival ecosystem means that the resources and competences of a single organisation may not be sufficient. The companion sponsoring organisations should be other incumbents also threatened by the change in the basis of competition in their industry. Additionally, partnering with an independent entrepreneurial support organisation, such as a university, can improve the chances of success. Such an organisation can provide additional entrepreneurial support, startup infrastructure, and, perhaps most importantly, attract ecosystem participants who would not otherwise be drawn to working with the incumbent organisation(s). For instance, AppCampus was funded by €9 million each from Microsoft and Nokia, and managed by Aalto University in Finland, who covered the operating costs of €1 million per year.

An ecosystem accelerator also needs to be a standalone joint venture, fully independent of the partners. The partners together maintain an oversight role, keeping a check on any attempts to manipulate the accelerator to favor a particular partner's interests. This leads to a strategic tension between the sponsoring organisations, ensuring that the ecosystem accelerator acts in the interest of the entire ecosystem, and not just that of the sponsoring organisations.

Strategic focus

An ecosystem accelerator needs a clear strategic focus: to identify, fund, develop and launch startups that mobilise the innovation ecosystem of the incumbent stakeholders. In the case of AppCampus, the clear strategic focus was to develop apps for the new Windows Phone ecosystem, in doing so supporting the sales of the operating system of Microsoft, and the handsets of Nokia. To do so, the ecosystem accelerator needs to be positioned and branded in such a way so as to clearly differentiate it from the sponsoring incumbent organisations. For instance, AppCampus branded itself using very colorful modern and edgy motifs, clearly differentiating itself from the staid corporate images of Nokia and Microsoft. This branding strategy, in combination with Aalto University's management of the accelerator, elicited submissions from application developers who would never previously have considered developing for a Microsoft platform, and also reinforced the identity of AppCampus as a development programme that facilitated both new applications and their developers, thus helping lure more developers into the emerging ecosystem.

Programme package

A programme package consists of the services that are offered to participants, including investment, education, mentoring and merchandising.

The *investment* service is focused on providing participants with seed investment to build and launch their offering within the ecosystem. This investment amount does not need to be substantial, and does not need to cover the full start-up cost, instead only influencing the cost-benefit calculations of the entrepreneur in favor of the ecosystem. Furthermore, this investment should be "free money", i.e., not dependent

EXECUTING THE STRATEGY

1. Identify your partners
2. Agree the country/location
3. Agree the funding formula
4. Establish the accelerator
5. Activate the core team
6. Activate the outreach activities within partners
7. Initiate the "deal-flow" screening activities
8. Initiate the acceleration activities
9. Initiate the go-to-market support activities
10. Set KPIs & targets, measure & analyze, correct & improve
11. Build and maintain the alumni network

on an equity stake or revenue sharing agreement provided that the funds are used for the development of the ecosystem. Instead, a condition of the investment can be exclusivity to the ecosystem for a period of time. In the case of AppCampus, the exclusivity period was initially set at six months before being reduced to three months. This "free money" and short period of exclusivity makes participation in the ecosystem very appealing for would-be entrepreneurs, and also has the benefit that new ecosystem participants commit to participate in the ecosystem while remaining independent.

The *education* service is focused on the construction of the offering for the ecosystem and is accompanied by intensive training around such topics as branding, product management, and marketing. Training services are provided either by online courses, or onsite through intensive courses for high performing participants. For instance, AppCampus offered online courses to all participants, as well as residential training camps of two to four weeks in length, to those teams that were considered to have high potential.

The *mentoring* service is typically provided by experienced members of the industry who have been specially selected for the role. All teams participating in the training camps had numerous sessions with expert mentors, and mentoring services included the introduction of participating teams to external investors through open days and participation in external pitching competitions to help them to gain additional funding as required, with a goal of securing longer term commercial success.

The *merchandising* service is focused on building momentum for the ecosystem participation through "go-to-market" support. This includes distribution, localisation, promotion, improvement and ecosystem optimisation support before, during and after product launch. It may be possible to leverage the distribution channels of the funding partners to achieve this, which can be seen as an "unfair advantage" for ecosystem acceleration teams that helps to deliver results.

Selection process

An ecosystem accelerator needs to make use of a rigorous selection process. AppCampus was tasked with selecting ideas that had not been developed within other ecosystems to date (thus differentiating the ecosystem from its rivals), ensuring that the app idea aligned with the goals of the ecosystem mobilisation effort, and either rejecting submissions that did not align, or giving specific guidance to the submitting teams on making the submission more suitable.

Once an idea has passed the screening stage, "quality control" processes are important to ensure that its creators can leverage the best features and functions that the ecosystem has to offer, as well as assuring a certain level of quality and usability of the end product. In the case of AppCampus, quality control consisted of assisting the submitting developer teams with incorporation, followed by design review and beta release milestones, failure to meet which would mean an ejection from the accelerator and non-transfer of the grant funding. In order to ensure compliance with the quality control process, the investment should be staggered and contingent on their successful launch of the product into the ecosystem. For instance, once a team's app design was accepted, they would receive 30% of their grant amount. The remaining 70% was released only when the team had completed all of the quality control stages and released an approved beta version of the application.

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Alumni relations

Accelerator alumni are important ambassadors for the ecosystem, making it important to maintain relations with the teams that complete the programme. In the case of AppCampus, there are annual elections for an alumni president, while a Facebook group keeps all teams in active contact.

Ecosystem Accelerator Benefits

An ecosystem accelerator has many benefits for an incumbent, in comparison to developing the same complementary products and services internally (see Exhibit 1 on the next page).

An ecosystem accelerator can be established and results generated in a much more rapid time frame, as the ecosystem creation effort is effectively outsourced to interested third parties. Furthermore, an ecosystem acceleration effort can be cheaper than

Exhibit 1 – Ecosystem Accelerator Benefits

	Implement Internally	Invest Externally (Ecosystem Accelerator)
TimeFrame	• Existing firm structures and policies can slow down implementation; • Even in "skunk works", firm practices can slow down implementation.	• Allows for faster implementation when selecting an established partner
Control	• Allows for tighter control of the operations; • Firm policies can hinder effective processes for startups and innovation.	• Control is exerted indirectly through steering board membership; • Allows appropriate processes and managerial control to manifest.
Skills and Competences	• Corporates are usually risk averse and poorly understand the startup approach; • Slows down the startup cycles and/or limits the innovation level of the startups.	• Enables relevant skills and competences to flourish in an appropriate environment. • Speeds up deal-flow, acceleration and go-to-market activities.
Reporting	• Would need to reside within established firm silo, resulting in conflict or no silo willing to host given cross silo nature of programme; • A Chief Innovation Officer could be used with the acceleration programme an addition to innovation efforts.	• Indirect reporting through steering committee; • Allows wider variety of responsible roles, including the Corporate Responsibility Officer, Corporate VC unit, or Chief Innovation Officer.
Branding	• Allows full control of the branding effort; • However corporate brands are rarely seen as an attractive proposition by innovators and might not welcome to talent.	• Relinquish control of branding effort; • Enables brand positioning that is attractive to innovators and welcoming to talent.
Budget	• Allows for direct control of cost elements; • Budget creep can occur as funding will be within firm budgeting cycle	• Partnering with one or several existing players might be cheaper approach; • Budget set through single funding event.

pursuing the same innovation and ecosystem mobilisation efforts internally. By effectively outsourcing the ecosystem mobilisation effort, the firm can distance these activities from its internal operations, allowing those activities to occur which might not otherwise be possible within its corporate structure. An ecosystem accelerator also enables relevant skills and competences to flourish in an appropriate environment, and permits an increased investment flow and a focus on go-to-market activities.

Ecosystem Accelerator Challenges

Ensuring necessary infrastructure. Simply launching an ecosystem accelerator is not sufficient. The sponsoring organisations need to ensure that the underlying infrastructure for ecosystem success is already present and constantly being developed in line with market and technological evolution. This requires technological development of the underlying platform or shared assets that ecosystem participants leverage in order to create value for themselves. Access to these shared assets also need to be made available and priced in such a way so that ecosystem participants can appropriate sufficient value.

Finding internal funding. For initiatives such as this, it can be a challenge to find funding. Relevant business units within sponsoring organisations can provide the funding, although as ecosystem acceleration activities may cross departmental silos, this can at times be difficult to arrange. However, sponsoring firms should realise that the ecosystem accelerator will have substantial impact through its effects on entrepreneurship. This is something that should be celebrated. As it is a valuable corporate social responsibility outcome for the sponsoring organisations, as well as a positive outcome variable for the entrepreneurial support organisation, an ecosystem acceleration strategy could feasibly be funded from a corporate social responsibility budget.

Resisting taking ownership. It is difficult for many executives to understand the importance of "free money" to the success of an ecosystem accelerator. This is even more important when there are issues in finding funding to set up the ecosystem accelerator. The "free money" makes participation in an ecosystem that is not the market leader very appealing for would-be entrepreneurs, and also has the benefit that new ecosystem participants are truly independent but remain committed to the ecosystem.

Resisting outsourcing core innovation activities. Although it is more and more common for firms to leverage accelerators for their innovation needs, sponsoring firms need to resist the urge to "outsource" the innovation that they themselves need to do. Sponsoring firms need to realise that they need to maintain a focus on their substantial innovation responsibilities for the shared assets that drive ecosystem performance.

Thinking long-term. An ecosystem accelerator is a long term commitment. Often sponsoring organisations think they can reduce the funds required to launch and maintain an ecosystem accelerator by reducing the programme's duration to only a couple of years. This is a false economy that means that sponsoring firms are disappointed

The sponsoring organisations need to ensure that the underlying infrastructure for ecosystem success is already present and constantly being developed in line with market and technological evolution.

By going global early, an ecosystem accelerator can tap into and mobilise would-be entrepreneurs in markets that are most probably underserved by current ecosystem leaders.

as they do not appear to see the results from the funding during the life of the ecosystem accelerator, and lose the opportunity to refine and develop the programme.

Going global early. It is important to be explicitly global from the very beginning so as to maximise reach. However, many executives instinctively think that they should focus in their own region or location. By going global early, an ecosystem accelerator can tap into and mobilise would-be entrepreneurs in markets that are most probably underserved by current ecosystem leaders, and who would relish an opportunity to participate meaningfully in a global ecosystem and make money.

Leveraging the tension. It is important to maintain a healthy tension between the sponsoring organisations and the entrepreneurial support organisation. By ensuring a healthy tension the management of an ecosystem accelerator can act in the interest of the entire ecosystem, and not just the sponsoring organisations.

Conclusion

An increasing number of incumbent organisations are facing a shift to ecosystem competition. An ecosystem accelerator can help incumbents to mobilise their own ecosystem and respond effectively to this threat.

About the Authors

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MOBILE TECHNOLOGY MEETS SOCIAL INNOVATION: Reflections on progress and challenges

BY KEN BANKS

Talk is good, or so they say. But too much talk and not enough action isn't. After working for the past twelve years in the technology-for-development (ICT4D) field, I'm beginning to feel that talking is pretty much all it does, and that everything we could have said has, by now, been said. Actions speak louder than words. This is my call to action.

But first, back to the beginning. It was late 2002 that I got my first taste of the fledgling world of mobiles for development (m4d), focusing initially on Africa. Back then people's general reaction to my work was one of surprise. "Do they have mobile phones in Africa? Can Africans afford mobile phones? Do they have coverage?" While back then it was unclear whether mobile technology did have true development potential, today it is a surprise to meet anyone who thinks they don't (Banks and Burge 2004). It's been quite a turnaround.

Driven by the private sector – not the aid industry – mobile coverage and services have grown exponentially.

Of course, a lot has happened over those 12 years. Driven by the private sector – not the aid industry – mobile coverage and services have grown exponentially, call costs have come down (although still not enough for some people) and handsets are a fraction of their original price. The real game changer, however, was the introduction of pre-pay. The pay-as-you-go model opened up access to the vast numbers of people previously excluded because they lacked a fixed address, a bank account or a credit history – or all three. Across Africa this model still accounts for the vast majority of connections. According to the GSMA's Mobile for Development Intelligence (MDI) portal, it remains over 90 per cent, an almost mirror image of much of the so-called developed world (where contract-based service plans predominate) (GSMA Intelligence).

Making sure we make the most of the incredible opportunity mobile presents has taken up much of the last 12 years of my professional life. My experience of the African continent began ten years earlier in 1993 when I visited Zambia to help build a school. Since then I've returned to live and work on the continent on many occasions, always spending time with grassroots non-profit organisations, the majority of which were locally run. With a deep understanding of the problems and challenges they faced, it was no surprise that the initial focus of my work in mobile was to be there. As mobile phones began to show their development potential they were the ones, I feared, who would be left behind. There were signs that, by focusing on the top tier of non-profits in the developing world – those with funding, access and resources – we were leaving those further down behind, and few people seemed to be paying any attention.

My response was to build a tool which would specifically meet the needs of that grassroots community. The idea for FrontlineSMS[1] came about in early 2005 one rainy Saturday evening in Cambridge, UK. Over the previous two years I had been working extensively in South Africa and Mozambique with a South African NGO on a contract with the oldest international conservation organisation in the world – Fauna & Flora International. We were looking at ways national parks could use information and communications technologies (ICTs) to better communicate with local communities – something that has traditionally been problematic. Since SMS (text messaging) usage was just beginning its astronomical climb, it seemed like an obvious communications tool to consider.[2]

While many solutions at the time were being developed around something many grassroots communities didn't have – the Internet – FrontlineSMS focused on leveraging what they did. By connecting a mobile phone or a GSM dongle to a laptop computer, messages could be sent and received directly via the mobile network without the need for the Internet, without the need for expensive equipment and without the need for complex technical training. Today, as increasing numbers of both grassroots and international nonprofits find themselves working in places with Internet access, FrontlineSMS has evolved to offer a highly-scalable, web-based solution called FrontlineCloud.

Bushbuckridge, on the edges of Kruger National Park (2003): The early inspiration for FrontlineSMS. Photo: Ken Banks[3]

But it's not only the spread of Internet access and mobile coverage – or the lower costs of handsets and calls – that has changed in recent years. We're also beginning to experience a shift in how technology-for-development solutions themselves are identified and developed. It's a disruptive shift that threatens the status quo – which is why I like to call it ICT4D's "inconvenient truth" (Banks 2012a).

Unlike a decade or so ago, across the African continent today a tech-savvy programmer with access to a computer, cheap mobile phone, software development kit and the kind of entrepreneurial flare which many Africans have in abundance, possesses all the tools they need to solve a business, technical or social problem without the need for the intervention of the ICT4D community.

Innovation around the mobile phone has been particularly interesting in Africa for some time, often because it is born out of necessity. What's more, many African countries present an interesting environment where innovation in services is as common as innovation in hardware and software. If there's one thing I've noticed over the past 20 years working on-and-off across the continent, it's that Africans are not the passive recipients of technology many people seem to think they are.

In fact, some of the more exciting and innovative mobile services around today have emerged as a result of ingenious indigenous use of the technology. Services such as "Call Me" – where customers on many African networks can send a fixed number of free messages per day when they're out of credit requesting someone to call them – came about as a result of people "flashing" or "beeping" their friends (in other words, calling their phones and hanging up to indicate that they wanted to talk). Today's more formal and official Call-Me-style services have come about as a direct result of this entrepreneurial behaviour.

The concept of mobile payments did, too. In increasing numbers of African countries it is possible to pay for goods and services through your mobile phone, something which remains a distant hope for most people in so-called developed countries. Users in rural Uganda were figuring out innovative ways of using their phones to make payments long before Vodafone and Safaricom formalised the service under the guise of M-Pesa (Banks 2012b).

Local innovators are also at work in the middle ground between the grassroots and the more formalised private sector. Here, talented individuals are building all manner of solutions to all manner of problems. You only have to look through sites like Afrigadget,[4] which proudly showcases African ingenuity, to see the kinds of things that are possible even in resource-strapped environments.

Things like Pascal Katana's "Fish Detector" which, with the aid of a mobile phone, is able to acoustically detect shawls of fish and alert nearby fishermen by SMS.[5] Or Morris Mbetsa's "Block & Track" mobile phone-based anti-theft and vehicle tracking system.[6]

Both innovations are equally ingenious, but the innovators backgrounds couldn't be more contrasting. While Pascal developed his idea while he was a fourth year student at the Department of Electrical and Information Engineering at the University of Nairobi, Morris had no formal electronics training at

all. All they have in common is that they're both from Kenya, smart, interested in tackling real problems and highly entrepreneurial.

Spotting and nurturing this kind of talent is critical to the growth of the ICT sector in East Africa, and universities are increasingly at the centre of this new push. A number of initiatives today continue the earlier pioneering work of Nathan Eagle, a professor at the Massachusetts Institute of Technology who, through his Entrepreneurial Programming and Research on Mobiles (EPROM) initiative introduced the idea of mobile phone programming courses to many of East Africa's Computer Science Departments years ago.

We have three reasons to be optimistic about the future in this part of the continent. Firstly, momentum is building on the education front, with increasing opportunities for students to learn how to program and innovate around mobile, the most widely adopted technology in use in many of their countries today. Secondly, more mobile devices are now being shipped to Africa with data capabilities than without. If it hasn't happened already, soon the majority of consumers will possess a device with the potential to connect to the Internet, spurring a whole new raft of opportunities for budding innovators and entrepreneurs. Finally, wireless technologies – likely a mixture of GSM and Wimax, and maybe others – will likely be the solution to sharing East Africa's newfound bandwidth among the majority of its citizens. Google is even experimenting with balloons.[7] Facebook with drones. Increased coverage, particularly in the so-called last mile, represents further opportunities, particularly for the development sector who at present struggle to reach many of the people there.

This rise of home-grown developer communities is happening at a time of increased interest in the potential for mobile-based tools to solve social and environmental problems around the world. In fact there's something of an industry building up around it. Although things are slowly changing, many ICT4D tools continue to be developed as far away from the problem as you can get and then "transplanted" into an unsuspecting community in the guise of a "pilot". When these projects fail, as many do, rarely is the technology or the approach blamed, however inappropriate they may have been. But this is exactly what often happens – inappropriate technologies implemented in inappropriate ways. There are lessons we can learn from projects that have gone before and lessons we can learn from projects which have gone on to reach global levels of deployment.

To reach its full potential, the ICT4D community needs to address these three key problem areas in the short- to medium term.

1. *Executing best practice.* Technology races ahead at a breathtaking pace, but behaviour change chugs along in a much lower gear. As I remind people when I speak at conferences, technology is the easy bit – people (and their habits and expectations) are far more difficult to manage. Thanks to rampant innovation in the commercial sector, the ICT4D community has even more toys to play with than it did a year or two ago. However, so much of what it debates – and practices – remains the same year after year. "Understand the problem before tackling the technology, put the user first, build tools and not solutions, learn from your failures, don't reinvent the wheel, use appropriate technologies" and so on. How many more conferences do we need before we finally settle on a set of best practices? We should know by now what is and what isn't a good way to run an ICT4D project. Let's instead match best practice against projects, and let's ensure they become an intrinsic part of the development process rather than simple sound bites and tweets.

2. *Keeping the tech real.* New technologies lead to hype, which in turn leads to new conversations and new big ideas – as if earlier problems had been solved. It's unfortunate that attention spans seem to decrease as rates of innovation increase, and it's easy to be distracted from the technological reality for much of the planet in the age of the ultra-smartphone and iPad. Trumpeting the need

Although things are slowly changing, many ICT4D tools continue to be developed as far away from the problem as you can get and then 'transplanted' into an unsuspecting community in the guise of a 'pilot'.

The ICT4D community needs to keep its technology choices firmly routed in what's appropriate for their users, not what's newly available in their local store.

for 'appropriate technologies' at a development conference is only helpful if people don't then run off and build iPad 2 apps for African farmers. The reality is that we're still figuring out how to best use text messaging in a development capacity, and that particular technology has been around for years. In short, the ICT4D community needs to keep its technology choices firmly routed in what's appropriate for their users, not what's newly available in their local store.

3. *Mainstreaming ICT4D.* Finally, ICT4D and m4d need to go mainstream within the varying sectors of development. Today, we have a crazy situation where each seems to be divided into two camps – the people who are deploying (or most likely figuring out how to deploy) mobile technologies, and those who aren't. The former put an "m" in front of their discipline, giving us m-heath, m-agriculture, m-learning, and so on. The rest remain plain old health, agriculture and learning. Even worse, the people within them often go to different conferences.

These questions and issues, and a few more, are addressed in my recent (http://www.donorscharter.org) Donors Charter, an attempt to bring harmony to the funding of ICT4D and m4d initiatives.

Recently I "celebrated" ten years working in mobiles-for-development. We've all come a long way in that time – out of nowhere, in fact – but in impact terms we're still only scratching the surface. No one knows what the next couple of years have in store, let alone the next five or ten. Much depends on us.

Quite rightly, we will ultimately be judged on what we do, not what we say, tweet, write or predict. I, for one, spent the best part of my university years critiquing the efforts of the development practitioners who went before me. Countless others have done the same. Looking to the future, how favourably will the students and academics of tomorrow reflect on our efforts? A wasted, or unnecessarily delayed opportunity?

That's up to us to decide.

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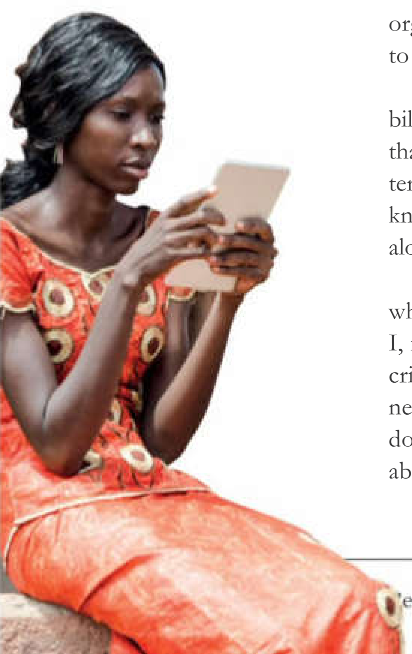

About the Author

Ken Banks, Founder of kiwanja.net and creator of FrontlineSMS, devotes himself to the application of mobile technology for positive social and environmental change in the developing world. He has worked at the intersection of technology, anthropology, conservation and development for the past twenty years and, during that time, has lived and worked across the African continent. He is a PopTech Fellow, a Tech Awards Laureate, an Ashoka Fellow and a National Geographic Emerging Explorer, and has been internationally recognised for his technology-based work.

Notes

1. More information on FrontlineSMS and FrontlineCloud is available at: www.frontlinesms.com.
2. SMS refers to the short message service, which is more commonly referred to as text messaging.
3. Author's webpage: http://www.kiwanja.net kenbanks.htm
4. More information at: http://www.afrigadget.com
5. For more information, see http://www.afrigadget.com/2009/07/21/fish-call-the-fisherman/.
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